

Ken Lawson, Secretary

Rick Scott, Governor

**COMMITTEE ON CONTINUING PROFESSIONAL EDUCATION
TELEPHONE CONFERENCE CALL**

October 16, 2014 at 9:00 am

**Conference Number: 888-670-3525
Conference Code: 6144029271**

AGENDA

1. Call to order 9:00 a.m.
2. Ratify Minutes, July 30, 2014 meetings.
3. Review Ethics Provider and Course Applications.
 - A. Global CPE
 1. Florida Ethics for CPA's – Self-Study – 4 CPE hours
 - B. The CPE Store, Inc.
 1. Florida Ethics: An Overview for CPAs – Self-Study – 4 CPE hours
4. Reports
 - A. Review CPE Audit Report.
 - B. Review of Department Approved Sponsors.
5. Administrative
 - A. Review CPE Provider and Course Application Review Process.
 - B. 473.312 FS and Chapter 61H1-33 (informational)
6. Set Future Meeting Date.

**DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
FLORIDA BOARD OF ACCOUNTANCY
COMMITTEE ON CONTINUING PROFESSIONAL EDUCATION**

JULY 30, 2014

CONFERENCE CALL

MINUTES

The meeting was called to order at 9:02 a.m. by Maria Caldwell, Chair. The roll was called by Karan Lee reflecting the following:

Committee members present:

Maria Caldwell
Dr. M. G. Fennema
Jeffrey Haller
Professor Gary Laursen
Bill Michaelson
Frank Puissegur

Committee members absent:

Madeline Domino
Eric Robinson

Staff members present:

Veloria Kelly, Director
Karan Lee
Trecia Jenkins

Others present:

Mary Ellen Clark, Senior Assistant Attorney General and Board Counsel
River Buford, Florida Institute of CPAs
Angie Brooke, Florida Institute of CPAs
Suzanne Lee, Bureau of Education and Testing

Motion was made by Dr. Fennema and seconded by Mr. Puissegur to approve the minutes from the May 28, 2014 meeting. Upon vote, motion passed unanimously.

PROBATIONARY SPONSORS

LATITUDE FINANCIAL STRATEGIES
WINDERMERE, FL

0006164

DASZKAL BOLTON, LLP
BOCA RATON, FL

0002240

There was some discussion questioning why the probationary sponsors are coming before the Committee for approval when they have already been approved. Director Kelly explained the process to the Committee and informed them that the list is presented to them to inform them of the providers that have been approved. Director Kelly informed the Committee and confirmed with Mary Ellen Clark, board counsel, that maybe we should change the title of this item. Ms. Clark agreed and suggested changing the title to "Review of Department Approved Sponsors."

Director Kelly also updated the Committee on their request regarding the process for approving probationary sponsors. She informed them that the Bureau of Education and Testing is working on a presentation and should have it available at the next CPE Committee meeting.

Motion was made by Mr. Michaelson and seconded by Mr. Puissegur to approve the probationary sponsors as listed above. Upon vote, the motion passed unanimously.

ETHICS

Review Ethics Provider and Course Application for:

A. CPE Inc. (Center for Professional Education, Inc.)

1. Florida Ethics: An Overview for Accountants – Live Study – 4 CPE hours

Motion was made by Mr. Michaelson and seconded by Mr. Haller to approve the ethics provider and course application as listed above. Upon vote, the motion passed unanimously.

B. MasterCPE LLC

1. Ethics for Florida CPAs – Self-Study-4 CPE hours

Motion was made by Professor Laursen and seconded by Mr. Puissegur to approve the ethics provider and course application as listed above. Upon vote, the motion passed unanimously.

There was some discuss about the standards for approving ethics courses. Ms. Clark, informed the Committee that Rule 61H1-33.00342 sets the standards for approving ethic courses. Ms. Caldwell stated that she will discuss this matter with the Board at their next meeting to see if maybe they would like to revise the rules to provide specific guidelines on the coverage and time spent on Florida statues and rules.

FUTURE MEETING DATE

October 16, 2014 at 9:00 a.m.

Meeting adjourned at 9:39 a.m.



Maria Caldwell, Chair

Ken Lawson, Secretary

Rick Scott, Governor

July 31, 2014

Global CPE
1775 S. Kings Ave
Brandon, FL 33511

Re: Ethics Course Application Number: 175

Dear Provider:

The Committee on Continuing Professional Education will review your application at the following date, time and place:

DATE AND TIME: Thursday October 16, 2014 at 9:00 A.M.
Or as soon thereafter as can be heard

PLACE: Telephone Conference Call
Conference Number: 888-670-3525
Conference Code: 6144029271

This is an open meeting and you are welcome to attend.

If you have any questions, please call the number above.

/kl

DBPR On-Line Services

If you need to mail additional information to DBPR please include this coversheet.

License Type: **CE Ethics Provider**

Application Type: **ETHICS CPE PROVIDER**

File Number: **70**

Application Number: **133**

License Number:

Application Date: **06/27/2014 (mm/dd/yyyy)**

Organization Name: **Global CPE**

Mail To:
Department of Business and Professional Regulation
Central Intake Unit
1940 North Monroe Street
Tallahassee, FL 32399-0783

If you have any questions please call our Customer Contact Center at 850-487-1395.

State of Florida
Department of Business and Professional Regulation
1940 North Monroe Street
Tallahassee, FL 32399

Application Summary

Thank you for submitting an online application. We will evaluate the application to determine if you meet the eligibility requirements for the license. This process takes approximately two to three weeks. You will be notified in writing if we need any additional information or documentation. Your application will be considered complete only upon the department's receipt of all requested information, including validation of payment from your financial institution.

Profession

License Type:	CE Ethics Provider
Application Number:	133
Application Type:	ETHICS CPE PROVIDER
Application Date:	06/27/2014 (mm/dd/yyyy)
License Number:	
File Number:	70

Organization Detail

Organization Name:	Global CPE
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Addresses

Main Address

Address:	1775 S. Kings Ave
	Brandon, FL
	33511
	US
Phone Number:	800-460-4110
Extension:	
E-mail Address:	admin@Globalcpe.com

Provider Question

Are you an approved continuing education provider with any board within the Department of Business and Professional Regulation?	No
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Provider Eligibility

Provider Eligibility Status:	Commercial Educator
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Attachments

Florida Ethics for CPA's EBook.pdf

Florida Ethics Exam with Answer Key.txt

Florida Ethics For CPA Course
Description.pdf

Florida Ethics FDPBR.pdf

By submission of this application you attested to the following:

I certify that I am empowered to execute this application as required by Section 559.79, Florida Statutes. I understand that my signature on this written declaration has the same legal effect as an oath or affirmation. Under penalties of perjury, I declare that I have read the foregoing application and the facts stated in it are true. I understand that falsification of any material information on this application may result in criminal penalty or administrative action, including a fine, suspension or revocation of the license.

I understand that an electronic signature shall have the same force and effect as a written signature.

Ken Lawson, Secretary

Rick Scott, Governor

July 15, 2014

Kathleen Risko
CPE Inc. (Center for Professional Education, Inc.)
370 Reed Road
Suite 227
Broomall, PA 19008

Re: Ethics Course Application Number: 176

Dear Ms. Risko:

The Committee on Continuing Professional Education will review your application at the following date, time and place:

DATE AND TIME: Wednesday, July 30, 2014 at 9:00 A.M.
Or as soon thereafter as can be heard

PLACE: Telephone Conference Call
Conference Number: 888-670-3525
Conference Code: 6144029271

This is an open meeting and you are welcome to attend.

If you have any questions, please call the number above.

/kl

State of Florida
 Department of Business and Professional Regulation
 Board of Accountancy
 Continuing Education Ethics Provider Approval Application
 Form # DBPR CPA 10

If you have any questions or need assistance in completing this application, please contact the Department of Business and Professional Regulation, Customer Contact Center, at 850.487.1395.
For additional information see the Instructions at the end of this application.

Section I – Application Types

CHECK ONE OF THE APPLICATION TYPES	
<input type="checkbox"/>	Continuing Education Ethics Provider – Individual [0106/1030]
<input checked="" type="checkbox"/>	Continuing Education Ethics Provider – Organization [0106/1030]
<input type="checkbox"/>	Continuing Education Ethics Provider Renewal [0106/2020]

Section II – Applicant Information

PERSONAL INFORMATION (Provider/Owner)				
Last Name Haddon	First Margie	Middle L.	Title President	Suffix
Company/Organization Name The CPE Store, Inc.				
Social Security Number (if applying as an Individual)*				
Federal Employer ID Number (if applying as an Organization) 76-0570341				
GENERAL IDENTIFICATION				
Select one of the following:				
<input type="checkbox"/> Individual seeking provider status				
<input checked="" type="checkbox"/> Organization seeking provider status				
<input type="checkbox"/> Provider seeking renewal – Provider Number: _____				
Is Provider approved by any other board within the Department of Business and Professional Regulation to provide continuing education?				
<input type="checkbox"/> Yes				
<input checked="" type="checkbox"/> No				
If yes, what is the provider approval number?				
MAILING ADDRESS				
Company Name The CPE Store, Inc.				
Street Address or P.O. Box 819 Village Square Drive				
City Tomball	State TX	Zip Code (+4 optional) 77375		
County (if Florida address)		Country		
BUSINESS LOCATION ADDRESS (IF DIFFERENT THAN MAILING ADDRESS)				
Street Address				
City	State	Zip Code (+4 optional)		
County (if Florida address)		Country		

Section II – Applicant Information- continued

CONTACT INFORMATION			
Last Name (Authorized Representative) First	Middle	Title	Suffix
Haddon	Margie	L.	President
Primary Phone Number	Primary E-Mail Address		
281-255-2239	CPESTORE@COMCAST.NET		
ADDITIONAL CONTACT INFORMATION (OPTIONAL)			
Alternate Phone Number	Fax Number		
800-910-2755	800-910-2744		
Alternate E-Mail Address			

* The disclosure of your social security number is mandatory on all professional and occupational license applications, is solicited by the authority granted by 42 U.S.C. §§ 653 and 654, and will be used by the Department of Business & Professional Regulation pursuant to §§ 409.2577, 409.2598, 455.203(9), and 559.79(3), Florida Statutes, for the efficient screening of applicants and licensees by a Title IV-D child support agency to assure compliance with child support obligations. It is also required by § 559.79(1), Florida Statutes, for determining eligibility for licensure and mandated by the authority granted by 42 U.S.C. § 405(c)(2)(C)(i), to be used by the Department of Business & Professional Regulation to identify licensees for tax administration purposes.

Section III – Provider Eligibility Status

PROVIDER ELIGIBILITY STATUS	
<input type="checkbox"/>	Regionally Accredited Educational Institution
<input checked="" type="checkbox"/>	Commercial Educator
<input type="checkbox"/>	Governmental Agency
<input type="checkbox"/>	State or National Certified Public Accounting Professional Association
<input type="checkbox"/>	Certified Public Accountant License Number:
<input type="checkbox"/>	Certified Public Accounting Firm License Number:

Section IV– Additional Materials

Applicants must submit the following additional materials:	
<input checked="" type="checkbox"/>	A description of the ethics course;
<input checked="" type="checkbox"/>	A description of staffing capabilities;
<input checked="" type="checkbox"/>	A sample of intended course materials;
<input checked="" type="checkbox"/>	A list of anticipated locations to conduct the courses;
<input checked="" type="checkbox"/>	A complete course curriculum;
<input checked="" type="checkbox"/>	A description of how the applicant will update the course in response to rule or law changes;
<input checked="" type="checkbox"/>	Documentation that ethics course instructors will notify the ethics course provider of any disciplinary action taken against the instructor by the Board.

see attached

Section V – Affirmation by Written Declaration

AFFIRMATION BY WRITTEN DECLARATION	
<p>I certify that I am empowered to execute this application as required by Section 559.79, Florida Statutes. I understand that my signature on this written declaration has the same legal effect as an oath or affirmation. Under penalties of perjury, I declare that I have read the foregoing application and the facts stated in it are true. I understand that falsification of any material information on this application may result in criminal penalty or administrative action, including a fine, suspension or revocation of the license.</p>	
Signature: <i>Margie Haddon</i>	Date: 7-29-14
Print Name: Margie Haddon	

INSTRUCTIONS

If you have any questions or need assistance in completing this application, please contact the Department of Business and Professional Regulation, Customer Contact Center, at 850.487.1395.

1. General Requirements

- a. To maintain Provider status in good standing, providers must adhere to all provider requirements outlined in Section 455.2178, Florida Statutes and Chapter 61H1-33 of the Florida Administrative Code.
- b. Provider approval is valid for the biennium during which their application was received and approved. Providers must reapply for approved provider status at the beginning of each biennium. The biennium for continuing education ethics providers ends on June 30th of each odd-numbered year.

2. Application Instructions (by section)

a. Section I- Application Types

- i. Continuing Education Ethics Provider – Individual
 - (1) Select this application type if you are an Individual applying to be a Continuing Education Provider
- ii. Continuing Education Ethics Provider – Organization
 - (1) Select this application type if you are an Organization applying to be a Continuing Education Provider
- iii. Continuing Education Ethics Provider Renewal
 - (1) Select this application type if you are renewing your Continuing Education Provider status.

b. Section II- Applicant Information

- i. Fill out each section completely.
- ii. In the "Personal Information" section, applicants must provide their full legal name. Do not use any nicknames or initials.
- iii. If applying as an Organization or Company, provide the name of the company or organization that will provide educational services.
- iv. A social security number is required in order to apply for any individual license within the Department of Business and Professional Regulation.
- v. If you are applying as an Organization or Company you must provide the Federal Employer Identification Number (FEID) for the business.
- vi. Select the appropriate category for identification.
- vii. If the applicant provides other educational services for another board within the Department of Business and Professional Regulation, please provide those provider approval numbers.
- viii. Provide your mailing address. This will be used for sending correspondence regarding your application.
- ix. Applicants must provide their business location address.
- x. Contact information is often used to quickly resolve questions with applications by telephone call or email. If contact information is not provided, questions regarding applications will be mailed to the applicant's mailing address and may take longer to resolve.
- xi. Additional contact information is optional and will be used when the applicant cannot be reached using their primary contact information.

c. Section III – Provider Status

- i. Select the status you possess that makes you eligible to become a continuing education ethics provider.

d. Section IV– Additional Materials (This should be included on the course application.)

- i. Applicants must submit the following additional materials:
 - (1) A description of the ethics course;
 - (2) A description of staffing capabilities;
 - (3) A sample of intended course materials;
 - (4) A list of anticipated locations to conduct the courses;
 - (5) A complete course curriculum;
 - (6) A description of how the applicant will update the course in response to rule or law changes;

- (7) Documentation that ethics course instructors will notify the ethics course provider of any disciplinary action taken against the instructor by the Board.

e. Section IV- Affirmation by Written Declaration

- i. Each applicant must sign the affirmation by written declaration.

Florida Ethics Course Submission

Provider Information:

The CPE Store, Inc.
819 Village Square Drive
Tomball, TX 77375
Contact:
Margie Haddon
281-255-2239
cpestore@comcast.net

Provider is a commercial educator and has been in business since 1995. We have met the stringent requirements of NASBA's QAS Self-Study certification. Our NASBA Sponsor number is 103657.

Required documentation:

A description of the ethics course

This course is approved to meet the 4 hour ethics requirement of the Florida Board of Accountancy. In this course, we will define ethics and provide you with reasons you should be encouraged to continue educating yourself with the goal of achieving the highest standards of ethical conduct.

The course will then discuss ethical reasoning and its application to common dilemmas that you may experience. Throughout this course, you will be provided with case studies that demonstrate the application of ethical principles, values, and ethical reasoning.

This course will also review the rules and statutes as applicable to CPAs practicing in the State of Florida.

A description of staffing capabilities

The CPE Store has three full-time and ten part-time employees. Our office is open Monday through Friday from 8:00-4:30 Central time. Our online ordering and grading system is available 24 hours a day, 7 days a week.

A sample of intended course materials

Included in the package you will find a sample of the book and final exam booklet. Please note that the actual book used for the course will be a 6 x 9 bound paperback book or a 6 x 9 PDF file. The books are professionally printed. We are also including a sample answer sheet and evaluation form.

A list of anticipated locations to conduct the courses

This requirement is not applicable. The course is self-study only.

A complete course curriculum

Following is the table of contents from the text:

Chapter 1 – Introduction

- Learning Objectives
- Ethical Principles and Values
- Defining Ethics
- Ethical Principles and Values
- The Purpose of Ethical Education for CPAs
- Nine Good Reasons to be Ethical (from ETHIX)
- Seven Goals of Accounting Ethics Education
- Review Questions
- Review Answers

Chapter 2 – Ethical Reasoning and Dilemmas

- Learning Objectives
- Introduction
- The Reasoning Process
- Ethical Reasoning and Business
- Greed
- Success
- Review Questions
- Review Answers

Chapter 3 – Core Values of the CPA Profession

- Learning Objectives
- Introduction
- Integrity and Objectivity
- Independence
- Risk-Based Approach to Independence
- Definitions
- Categories of Threats
- Categories of Safeguards
- Review Questions
- Review Answers

Chapter 4 – Florida Board of Accountancy

- Learning Objectives
- Introduction
- Disciplinary Action
- Chapter 455 Business and Professional Regulation: General Provisions
- Chapter 473 Public Accountancy
- Frequently Asked Questions
- Complaints
- Case Study
- Division 61H, Division of Certified Public Accounting
- Review Questions
- Review Answers

Glossary

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Description of how the applicant will update the course in response to rule or law changes

The author is a subscriber of the Bottom Line Newsletter and will periodically review the BOA's and the Florida Institute of CPAs websites for changes which may require updates to the course.

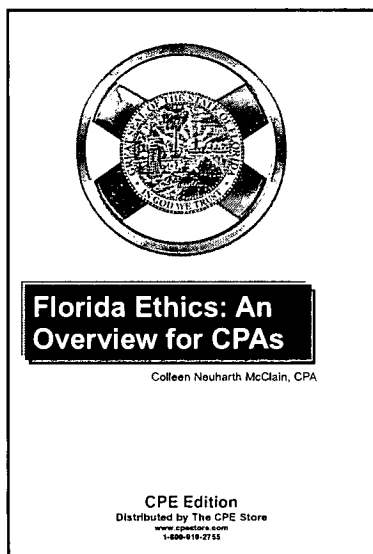
Documentation that ethics course instructors will notify the ethics course provider of any disciplinary action taken against the instructor by the Board

The author has assured us that they will notify us of any disciplinary action against her by the Board.

Customer will receive a spiral-bound booklet and a separate answer sheet and evaluation form.

Florida Ethics: An Overview for CPAs

Course Instructions and Final Examination



**The CPE Store
819 Village Square Drive
Tomball, TX 77375
1-800-910-2755**

Florida Ethics: An Overview for CPAs

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Course Objectives

After completing this course, you will be able to:

- Recognize the ethical principle which is defined as "the duty to do good both individually and for all"
- Identify the philosophy that believes rules should be followed regardless of the consequences
- Spot some of the seven goals of accounting ethics education according to Stephen E. Loeb
- Recognize steps Iris Stuart recommends taking when resolving ethical dilemmas
- Pinpoint one of the most common reasons CPAs compromise their ethical values
- Identify core values of the CPA profession
- Discern what a person in the performance of professional accounting services or professional accounting work shall be free of
- Determine what must be avoided when upholding integrity and objectivity
- Pinpoint the funding source for the Division of Certified Public Accounting in Florida
- Recognize the term used for the study, appraisal, or review by one or more independent certified public accountants of one or more aspects of the professional work of a licensee
- Identify situations where there would be accountant-client privilege
- Spot a situation where a CPA or CPA firm may not receive a commission or contingency fee
- Determine what can happen if a CPA's license is revoked

Course Instructions

To fully benefit from this course, please follow all of the steps below.

1. Read each chapter in the text to get a good understanding of the material.
2. Answer the study guide problems which appear at the end of each chapter. After answering the problems, compare your answers with the correct answers to ensure that you understand the material.
3. When you feel that you have a good understanding of the material contained in the chapter, answer the questions on the final examination.
4. When you have completed the final examination, record your answers on the answer sheet provided and submit it for grading. A score of 70% or better is required to pass. Please also complete the course evaluation and submit it to us along with your answer sheet. Upon passing you will receive a Certificate of Completion stating that you have successfully completed the course and earned the continuing education credit.

Prerequisites and Advance Preparation

No prerequisites or advance preparation are required for this course.

CPE Credit

This course is recommended for 4 CPE credits.

Final Exam Grading

- Online: Our fastest option, with instant results. Simply go to **www.cpestore.com** and click the link for online grading. Just follow the instructions from there. When you finish entering your answers, you'll receive instant test results and a Certificate of Completion to print. By submitting your test online for this course, you are certifying that you personally completed the course on the date the test is submitted. Online submission will constitute your signature on the test.
- By Mail: Mail your test and course evaluation to us. We grade the tests the day we receive them and mail the results and Certificate of Completion to you the following business day. The Florida State Board of Accountancy requires that you sign and date the answer sheet on this course.

- By Fax: Just fax your answer sheet to 1-281-255-4337. If you need us to fax the Certificate of Completion back to you, please provide us with your fax number and write "please fax back" on your answer sheet. If you don't need the Certificate faxed back, please write "no fax needed" on your answer sheet. The Florida State Board of Accountancy requires that you sign and date the answer sheet on this course.

Refunds

The CPE Store guarantees your satisfaction. If, for any reason, you are not completely satisfied with your purchase, return it to us unused within 30 days for a prompt refund, no questions asked. (Sorry, but shipping fees are not refundable.)

Customer Service

The CPE Store holds itself to the highest standards. If we have not met your expectations, something is missing, or you just have a question please contact us at 1-800-910-2755 or customerservice@cpestore.com.

About Our Courses

The CPE Store's courses are developed to satisfy the continuing education requirements of the American Institute of Certified Public Accountants, each state's Board of Accountancy and the National Association of State Boards of Accountancy (NASBA). If your state requires registration of sponsors, our sponsor number will appear on your Certificate of Completion.

Our courses are designed to meet the continuing education requirements of accounting professionals. A great deal of care has been taken to ensure that the course material is both interesting and relevant to the practice of accounting. The information presented is, to the best of our knowledge, current and accurate. However, The CPE Store is not in the business of rendering legal, accounting or other professional advice and as such, the material presented in our courses is intended as an overview. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

Florida Ethics: An Overview for CPAs

4-Credit Course

Final Examination

A score of 80% or higher is required to pass the exam. If you score less than 80% on your first attempt, we will allow you to take the test a second time.

1. Which of the following ethical principles is defined as "the duty to do good both individually and for all"?
 - A. Autonomy
 - B. Beneficence
 - C. Veracity
 - D. Least harm
2. Which Philosophy believes rules should be followed regardless of the consequences?
 - A. Veracity
 - B. Deontology
 - C. Utilitarianism
 - D. Teleological ethics
3. Which of the following is not one of the seven goals of accounting ethics education according to Stephen E. Loeb?
 - A. Meet continuing education requirements
 - B. Develop a sense of moral obligation or responsibility
 - C. Set the stage for a change in ethical behavior
 - D. Relate accounting education to moral issues
4. Which of the following is not one of the four steps Iris Stuart recommends taking when resolving ethical dilemmas ethics?
 - A. Recognize that an ethical dilemma is occurring
 - B. Withdraw from the engagement
 - C. Identify the parties that would be interested in the outcome of the dilemma
 - D. Determine alternatives and evaluate the effect of each alternative on the interested parties
5. What is one of the most common reasons CPAs compromise their ethical values?
 - A. Greed
 - B. Hunger
 - C. They are not getting paid enough
 - D. They have financial difficulties
6. Which of the following is not one of the core values of the CPA profession?
 - A. Objectivity
 - B. Integrity
 - C. Materiality
 - D. Independence
7. A person in the performance of professional accounting services or professional accounting work shall be free of which of the following?
 - A. Facts
 - B. Independence
 - C. Conflicts of interest
 - D. Continuing education
8. The AICPA Code of Professional Conduct states that to maintain and broaden public confidence, members should perform all professional responsibilities with the highest sense of what?
 - A. Profit
 - B. Integrity
 - C. Education
 - D. Credentials

Final Exam

9. Upholding integrity and objectivity values calls for avoiding both actual and apparent _____.
A. Errors
B. Skills
C. Materiality
D. Conflicts of interest
10. Applying the risk-based approach when determining independence generally means that when threats to independence are not at an acceptable level, which of the following must be applied to eliminate the threats or reduce them to an acceptable level?
A. Education
B. Safeguards
C. Impairment
D. Withdrawal
11. The Division of Certified Public Accounting in Florida is funded by which of the following?
A. Fees and assessments
B. Property tax funds
C. The AICPA
D. The FASB
12. Which of the following means "the study, appraisal, or review by one or more independent certified public accountants of one or more aspects of the professional work of a licensee?"
A. Audit
B. Compilation
C. Peer review
D. Random sampling
13. In which of the following situations would there be no accountant-client privilege?
A. An audit was performed for the client
B. A compilation was performed for the client
C. The privilege was claimed by a personal representative of a deceased client
D. The services of the accountant were sought to enable a client to commit what the client knew was a crime
14. In general, a CPA or CPA firm may not receive a commission or contingency fee, when the licensee or the licensee's firm also performs services for that client requiring which of the following?
A. A fee
B. Independence
C. Disclosure
D. Objectivity
15. Which of the following is not one of the general standards with which a CPA must comply or must justify any departures therefrom?
A. Professional competence
B. Due professional care
C. Planning and supervision
D. Insufficient relevant data
16. If for any reason a CPA's license is revoked, which of the following statements is true?
A. They can get their license reinstated after 3 years
B. They can get their license reinstated after 5 years
C. They may not continue to use the title or designation "certified public accountant"
D. They can refer to themselves as a CPA, but cannot use CPA on their business cards
17. Which of the following statements is false?
A. A Florida CPA may practice public accounting under a fictitious name which is not misleading or deceptive as to the persons who are sole proprietors, partners, or shareholders.
B. If there are non-CPA owners, a firm may use the term "CPA Firm" provided the firm has more than one certified public accountant.
C. A Florida CPA may allow any person to practice in his name even if they are not a partner or shareholder with him or in his employ.
D. A firm name may include the names of retired or deceased partners or shareholders or members who were active partners or shareholders or members of the entity.

18. A CPA firm with a non-certified public accountant owner which has been convicted of a crime which show a lack of good moral character:
- A. Is only required to disclose this information to the Board if the conviction occurred in the state of Florida
 - B. Is not required to disclose this information to the Board
 - C. Is required to disclose this information to the Board only if it was for a felony
 - D. Must disclose this information to the Board
19. A current/active Florida CPA, must in any given reestablishment period have completed at any time or times during the two-year period, at least how many hours of educational instruction or training in public accounting subjects or courses of study?
- A. 40
 - B. 60
 - C. 80
 - D. 100
20. In any given reestablishment period, each current/active Florida CPA must have completed how many continuing education hours in Florida Board approved ethics?
- A. 2
 - B. 4
 - C. 6
 - D. 8

**Thank you for taking our course.
We hope you enjoyed it.**

Florida Ethics: An Overview for CPAs

Course Number: ETH0612

Qualifies for 4 hours of CPE credit

Name as it should appear on your Certificate:

Where should we send your results?

License State(s):

License Number:

Date Course Completed:

* Answer each question A, B, C, or D as appropriate.

* Be sure you are answering questions from the Final Examination, not from the Study Guide

* **For instant online grading, go to www.cpestore.com and click the link for Online Services**

- | | | | | |
|-----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|
| 1. <input type="checkbox"/> | 5. <input type="checkbox"/> | 9. <input type="checkbox"/> | 13. <input type="checkbox"/> | 17. <input type="checkbox"/> |
| 2. <input type="checkbox"/> | 6. <input type="checkbox"/> | 10. <input type="checkbox"/> | 14. <input type="checkbox"/> | 18. <input type="checkbox"/> |
| 3. <input type="checkbox"/> | 7. <input type="checkbox"/> | 11. <input type="checkbox"/> | 15. <input type="checkbox"/> | 19. <input type="checkbox"/> |
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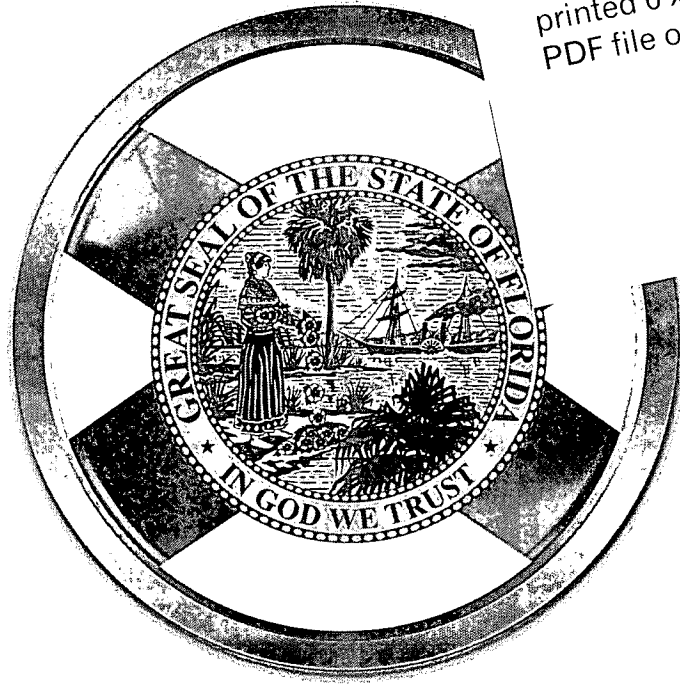
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Florida Ethics: An Overview for CPAs

Colleen Neuharth McClain, CPA

CPE Edition

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Florida Ethics: An Overview for CPAs

By Colleen Neuharth McClain, CPA

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Course Information

Course Title: Florida Ethics: An Overview for CPAs

Learning Objectives:

- Recognize the ethical principle which is defined as “the duty to do good both individually and for all”
- Identify the philosophy that believes rules should be followed regardless of the consequences
- Spot some of the seven goals of accounting ethics education according to Stephen E. Loeb
- Recognize steps Iris Stuart recommends taking when resolving ethical dilemmas
- Pinpoint one of the most common reasons CPAs compromise their ethical values
- Identify core values of the CPA profession
- Discern what a person in the performance of professional accounting services or professional accounting work shall be free of
- Determine what must be avoided when upholding integrity and objectivity
- Pinpoint the funding source for the Division of Certified Public Accounting in Florida
- Recognize the term used for the study, appraisal, or review by one or more independent certified public accountants of one or more aspects of the professional work of a licensee
- Identify situations where there would be accountant-client privilege
- Spot a situation where a CPA or CPA firm may not receive a commission or contingency fee
- Determine what can happen if a CPA’s license is revoked

Subject Area: Regulatory Ethics

Prerequisites: None

Program Level: Overview

Program Content: This course is designed to meet the 4 hour ethics requirement of the Florida Board of Accountancy. In this course, we will define ethics and provide you with reasons you should be encouraged to continue educating yourself with the goal of achieving the highest standards of ethical conduct.

The course will then discuss ethical reasoning and its application to common dilemmas that you may experience. Throughout this course, you will be provided with case studies that demonstrate the application of ethical principles, values, and ethical reasoning.

This course will also review the rules and statutes as applicable to CPAs practicing in the State of Florida.

Advance Preparation: None

Recommended CPE Credit: 4 hours

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Chapter 1

Introduction

Learning Objectives

- Recognize the ethical principle which is defined as “the duty to do good both individually and for all”
- Identify the philosophy that believes rules should be followed regardless of the consequences
- Spot some of the seven goals of accounting ethics education according to Stephen E. Loeb

Ethical Principles and Values

While many of the prior ethics courses you may have taken merely required you to memorize the rules of professional conduct for CPAs, this course will attempt to encourage you to become educated in ethical principles and values as well as ethical reasoning as it applies to common situations that you may experience in your profession.

To begin, it may interest you to understand more about the definition of ethics, ethical principles and values.

Defining Ethics

Ethics (also known as moral philosophy) can be defined as “a branch of philosophy that addresses questions about morality—that is, concepts such as good and evil, right and wrong, virtue and vice, justice, etc.”

Of the various sub-branches of ethical study, the following are the major sub-branches:

- “Meta-ethics, about the theoretical meaning and reference of moral propositions and how their truth-values (if any) may be determined;
- Normative ethics, about the practical means of determining a moral course of action;
- Applied ethics, about how moral outcomes can be achieved in specific situations;
- Moral psychology, about how moral capacity or moral agency develops and what its nature is; and
- Descriptive ethics, about what moral values people actually abide by.”

Ethics on the other hand, can also be defined as “the science of human duty; the body of rules of duty drawn from this science; a particular

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system of principles and rules concerning duty, whether true or false; rules of practice in respect to a single class of human actions; as, political or social ethics; medical ethics.”

While the first definition offers a look at ethics as a philosophy, the above definition refers to ethics more as a set of rules and principles.

The term ethics can be defined in many ways. In the context of this course, we will use the term “ethics” to mean a set of rules based on an individual’s or specific group’s principles and values.

To begin, it is very important to understand that ethics is a science. Many times confused with integrity, which is based on a personal state of being within ones character and is more like an art, ethics are made up of a specific set of rules.

These rules may vary from one arena to another. For example, there are political ethics, religious ethics, social ethics, and professional ethics. Below are some examples of each:

1. Political Ethics

- Equal air time should be given by the media for opposing candidates
- Prohibiting the use of campaign funds for personal expenses
- Avoiding conflicts of interest between public duties and private affairs
- Judges should not hear cases in which they have a financial interest, a personal bias regarding a party to the case, or earlier involvement in the case as a lawyer
- Public officials are not considered to have accepted an honorarium for work (i.e., speeches) if it is paid to a charitable organization selected by the payor

2. Religious Ethics

- Abide by the Ten Commandments
- Go to church
- Read religious doctrine on a regular basis
- Give part of your wealth to the church
- Donate time to the church

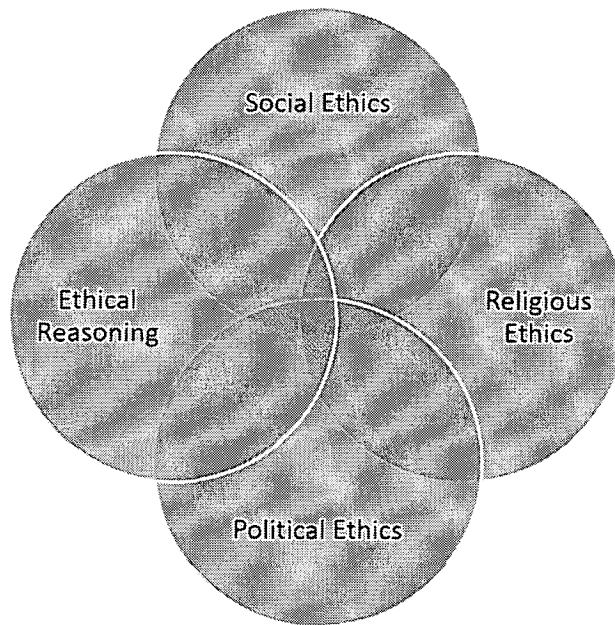
3. Social Ethics

- Avoiding acts which may bring harm to other people
- Protecting the environment
- Going above and beyond the call of duty
- Being responsible for our own actions
- Sharing the wealth with others who may be less fortunate

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4. Professional Ethics

- Medical code of ethics
- Legal code of ethics
- CPA code of ethics
- Criminal gang code of ethics
- Computer hacker code of ethics



Although ethics is defined as a set of rules which determine “right” and “wrong” behavior, there is not one set of rules that fits us all. As you can see by the last two examples above under professional ethics, even criminal organizations have codes of ethics. Ethics are defined by various societies, cultures, organizations, religions, etc. Each determines what is “right” and “wrong” based on their groups beliefs and conduct.

While many ethical rules of conduct may have some of the same rules, chances are no two rules of conduct are probably alike. In addition, we all are most likely expected to abide by several different codes of ethical conduct. For example, a CPA must abide by the AICPA Code of Professional Conduct, and also the code of professional conduct for the state in which they are licensed to practice public accountancy. They may also be a member of a specific political and religious organization, in which they have additional ethical rules which they are expected to

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abide by. They may be involved in a sport, such as golf, in their free time, which has an additional ethical code of conduct.

Many times, conflicts occur when trying to abide by one code of ethical conduct, without breaking the rules of another. For example, one's religious ethical code may interfere with one's political code of conduct. Most people are expected to abide by many codes of ethical conduct all at the same time. This is where ethical reasoning comes into play.

Ethical Principles and Values

Our ethical principles and values are the guides to our ethical decision making, as they provide the direction in which to reason the decision we will make regarding a particular dilemma. For example, if a person truly values people and believes in the principle that all people should be treated equally, they would most likely not be compelled to make any decisions based on racism.

The following are some examples of ethical principles:

- **Autonomy** – Each person should be allowed to make their own decisions based on their lives.
- **Beneficence** – The duty to do good both individually and for all. This principle is mainly associated with the utilitarian ethical theory which we will discuss later in this course.
- **Confidentiality** – The duty to respect privacy of information and action.
- **Finality** – The duty to take action that may override the demands of law, religion, and social customs.
- **Justice** – All people should be treated fairly.
- **Least harm** – A person should base their decisions on doing the least amount of harm to the fewest number of people.
- **No Harm** – Unlike the principle of least harm, this principle requires the duty to cause no harm, both individually and for all.
- **Publicity** – The duty to take actions based on ethical standards that must be known and recognized by all who are involved.
- **Respect for persons** – A person should honor others, their rights, and their responsibilities as we honor ourselves. In addition, people should not be used as a means to our end.
- **Understanding/Tolerance** – A person should appreciate and accept other people's viewpoints, if reason dictates doing so is warranted.
- **Veracity** – A person should always be honest and tell the truth.

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While all individuals are encouraged to create their own principles and value system, it should also be recognized that when joining a specific group or profession, you are generally required to also accept the principles and values that as a whole they have agreed upon. For example, when becoming a CPA in the state of Texas each applicant is required to take an oath of office to support the laws and Constitution of the United States and of Texas and the rules adopted by the Texas State Board of Public Accountancy.

There are basically two philosophies used to resolve ethical dilemmas related to CPAs, which are utilitarianism and rule deontology.

Utilitarianism (teleological ethics)	The promotion that the best long-term interest of everyone concerned should be the moral standard: one should take those actions that lead to the greatest balance of good versus bad consequences.
Deontology (Kantian ethics)	It deals with the concept of duty and the rightness of acts. It emphasizes maxims, duties, rules, and principles that are so important that they should be followed whatever the consequences.

The Purpose of Ethical Education for CPAs

The first professional accountants were known to have originated in England during the late 1800's. However the title of Certified Public Accountant (CPA) was first created when the state of New York, in the year 1896, through the work of its states legislature, passed a law designating the professional status. By doing so, New York also set the path for the process of regulating the accounting profession at the state level rather than the federal level.¹

Today, all jurisdictions in America have passed accountancy profession laws as well as laws governing all other professional titles within their states. In addition, all American state legislatures still regulate the majority of the administration of the CPA examination, licensing, maintenance and regulation of membership into the accountancy profession. Their regulation includes the specific requirements for continued professional education (CPE) for all CPAs within their jurisdiction.

¹ "A Reasoned Approach to Reform—White Paper," AICPA, Section II.1, January 2003

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Accounting ethics are believed by many to have first been introduced by Luca Pacioli (the “Father of Accounting”) and later expanded by government groups, professional organizations, and independent companies. Michael J. Fischer, in his paper “Luca Pacioli on Business Profits,” concludes that “it appears almost certain that he [Pacioli] would not tell us that there was anything fundamentally wrong or undesirable about engaging in business activities nor the pursuit of profits. In fact, Pacioli indicated his belief that the profit motive is a critical element of the successful business. However, it appears just as clear that Pacioli would strongly advise us to conduct our business both honestly and, perhaps more importantly, with a constant eye toward appropriate conduct of business people—individuals. Further, Pacioli clearly did not suggest that businesspersons should somehow separate their business from their personal lives. Quite the contrary, he indicated that successful businesspersons should see the secular and spiritual aspects of their lives as inextricably intertwined, and further that in the conduct of their business affairs they should “above all keep God before [their] eyes” (Geijsbeek, 1914, pp. 37–38; Brown and Johnston, 1963, p. 34; Cripps, 1995, p. 9)”

Though producing accurate and timely financial statements is the primary purpose of accounting, many people consider ethics for CPAs to be just as important.

Nine Good Reasons to be Ethical (from ETHIX)²

1. Litigation/Indictment Avoidance
2. Regulatory Freedom
3. Public Acceptance
4. Investor Confidence
5. Supplier/Partner Trust
6. Customer Loyalty
7. Employee Performance
8. Personal Pride
9. It’s Right

While most, if not all, CPAs agree that a CPA should achieve and maintain the highest standards of ethical conduct, there has been much controversy as to the effectiveness of ethics courses in accomplishing this goal.

Can you actually teach someone to starve before they would steal food? Most believe that although education like the threat of punishment

² ETHIX, Bulletin (1), <http://www.allbusiness.com/accounting/214505-1.html>

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cannot completely eliminate unethical acts such as theft, it can greatly reduce the probability of it occurring.

The technical training we receive as CPAs does not eliminate the possibility that we will err in the way we choose to account for a particular transaction, however; it significantly reduces the probability. Likewise, ethics training that we receive will not eliminate the possibility that we will not exercise good judgment in a particular situation, but it will greatly reduce the probability.

◆ Case Study ◆

In 1993, Mary Beth Armstrong completed a study (Mary Beth Armstrong, "Ethics and Professionalism in Accounting Education: A Sample Course," *Journal of Accounting Education*, 1993), in which she provided data demonstrating that an accounting ethics course can increase a participant's ethical sensitivity.

Armstrong tested all students at the beginning and the end of the semester, using Rest's Defining Issues Test. Her data indicated that those students who had already taken a general ethics course and who also took the ethics and professionalism course scored significantly higher on Rest's Defining Issues Test. An increase in one's ethical sensitivity is thus the result of a synergy of academic experiences in ethics, she concluded.

Rest's Defining Issues Test (DIT), developed by James Rest in 1979, is designed to assess a person's stage of moral development. The stages used are based on Kohlberg's approach to morality, which places individuals into one of the following six stages of moral development:

- ❖ Stage 1: The morality of obedience: Do what you're told.
- ❖ Stage 2: The morality of instrumental egoism and simple exchange: Let's make a deal.
- ❖ Stage 3: The morality of interpersonal concordance: Be consider-ate, nice, and kind: you'll make friends.
- ❖ Stage 4: The morality of law and duty to the social order: Everyone in society is obligated to and protected by the law.
- ❖ Stage 5: The morality of consensus-building procedures: You are obligated by the arrangements that are agreed to by due process procedures.
- ❖ Stage 6: The morality of non-arbitrary social cooperation: Morality is defined by how rational and impartial people would ideally organize cooperation. (Rest & Narvaez, 1994, p. 5)

Seven Goals of Accounting Ethics Education

- Relate accounting education to moral issues.
- Recognize issues in accounting that have ethical implications.

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- ⌘ Develop “a sense of moral obligation” or responsibility.
- ⌘ Develop the abilities needed to deal with ethical conflicts or dilemmas.
- ⌘ Learn to deal with the uncertainties of the accounting profession.
- ⌘ “Set the stage for” a change in ethical behavior.
- ⌘ Appreciate and understand the history and composition of all aspects of accounting ethics and their relationship to the general field of ethics.³

³Stephen E. Loeb, 1988, “Teaching Students Accounting Ethics: Some Crucial Issues”

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Review Questions

1. Ethics is which of the following?
 - A. An art
 - B. A science
 - C. A state of being
 - D. A set of rules that apply to all humans
2. Ethical reasoning is most likely to occur when which of the following happens?
 - A. One is giving a political speech
 - B. One is attending church
 - C. Two codes of ethical conduct are based upon the same sets of rules
 - D. Conflict occurs when trying to abide by one code of ethical conduct, without breaking the rules of another
3. Most people are expected to abide by how many codes of ethical conduct?
 - A. One
 - B. Two
 - C. Three
 - D. Many
4. How do our ethical principles and values relate to our ethical decision making?
 - A. They are inherited
 - B. They are absent
 - C. They are our guides
 - D. They are one and the same
5. Which of the following are the basic two principles used to resolve ethical dilemmas related to CPAs?
 - A. Good and bad
 - B. Right and wrong
 - C. Utilitarianism and deontology
 - D. Utilitarianism and teleological ethics

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6. Which of the following principles is basically used to resolve ethical dilemmas, related to CPAs?
 - A. Utilitarianism
 - B. Teleological ethics
 - C. Deontology
 - D. Utilitarianism and Deontology
7. Which of the following is one of the reasons for ethics education for accountants?
 - A. To be able to relate accounting education to technical issues
 - B. To develop a sense of the end always justifies the means
 - C. To develop the ability to get along with people
 - D. To set the stage for a change in ethical behavior

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Review Answers

1.
 - A. Incorrect. Ethics is not an art. Integrity is an art.
 - B. **Correct.** Ethics is a science which is based on a set of rules.
 - C. Incorrect. Ethics is not a state of being. Integrity is more of a state of being.
 - D. Incorrect. There is no one set of ethical rules that apply to all humans. Rather, there are many sets of rules that apply to various groups.

2.
 - A. Incorrect. Most likely, when one is giving a political speech, they are conducting themselves within their political ethics rules.
 - B. Incorrect. Most likely, when one is attending church, they are conducting themselves within their religious ethics rules.
 - C. Incorrect. When two codes of ethical conduct are based upon the same sets of rules, it usually does not require one to use reasoning to decide which code to abide by.
 - D. **Correct.** Many times, conflicts occur when trying to abide by one code of ethical conduct, without breaking the rules of another. For example, one's religious ethical code may interfere with one's political code of conduct. This is where ethical reasoning comes into play.

3.
 - A. Incorrect. While a person might be expected to abide by one professional code of conduct, they may also be expected to abide by a religious code of conduct.
 - B. Incorrect. While a person may be expected to abide by a code of conduct at work and at home, they may also be expected to abide by an ethical code on the golf course.
 - C. Incorrect. While a person may be expected to abide by codes of ethical conduct at home or work or while attending a political meeting, these may not be the only codes which they are expected to follow.
 - D. **Correct.** Many times, conflicts occur when trying to abide by one code of ethical conduct, without breaking the rules of another. For example, one's religious ethical code may interfere with one's political code of conduct. This is where ethical reasoning comes into play. Most people are expected to abide by many codes of ethical conduct all at the same time.

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4.
 - A. Incorrect. While a person might be influenced by their heredity, they are not born with principles and values.
 - B. Incorrect. Principles and values may be ignored but they are always present.
 - C. **Correct.** Our ethical principles and values guide us as we use ethical reasoning to make decisions regarding potential conflicts.
 - D. Incorrect. Remember that different people have different ethical principles and values.
5.
 - A. Incorrect. Ethical reasoning is different for everybody so what one may believe to be good for example, another might consider to be bad.
 - B. Incorrect. While many sets of principles and values may have rules which relate to what they believe to be right or wrong, this does not relate to dilemmas.
 - C. **Correct.** When potential conflicts arise (dilemmas) the general principles used to resolve them include utilitarianism and deontology.
 - D. Incorrect. Teleology can be defined as the study of design or purpose in natural phenomena. This is not used to resolve ethical dilemmas related to CPAs.
6.
 - A. Incorrect. While Utilitarianism (the reasoning that the best long-term interest of everyone concerned should be the moral standard) is one of the principles, it is not the only principle which is applied to CPAs.
 - B. Incorrect. While Teleological ethics (the reasoning that one should take those actions that lead to the greatest balance of good versus bad consequences) is one of the principles, it is not the only principle which is applied to CPAs.
 - C. Incorrect. While Deontology (the concept of duty and the rightness of acts) is one of the principles, it is not the only principle which is applied to CPAs.
 - D. **Correct.** Many times, conflicts occur when trying to abide by one code of ethical conduct, without breaking the rules of another. There are basically two principles used to resolve ethical dilemmas, related to CPAs, which are utilitarianism and rule deontology.

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- 7. A. Incorrect. Ethics education allows an accountant to relate accounting education to moral issues.
- B. Incorrect. Ethics education is intended to develop “a sense of moral obligation” or responsibility.
- C. Incorrect. Ethics education is intended to help accountants develop the abilities needed to deal with ethical conflicts or dilemmas.
- D. **Correct.** Ethics education is intended to help accountants learn to deal with the uncertainties of the accounting profession and to set the stage for a change in ethical behavior.

Chapter 2

Ethical Reasoning and Dilemmas

Learning Objectives

- Recognize steps Iris Stuart recommends taking when resolving ethical dilemmas
- Pinpoint one of the most common reasons CPAs compromise their ethical values

Introduction

Largely due to the corporate scandals at Enron, WorldCom, Arthur Andersen, etc. involving senior management and CFOs manipulating the books to make their companies appear more profitable, more and more research has been done to investigate the ethical reasoning and dilemmas that CPAs are faced with on a regular basis. The largest part of the prior research projects which have been done on ethical issues in accounting have generally avoided theoretical discussions about “right and wrong” or “good and bad” choices. Instead they have focused on determining whether or not accountants are abiding by the rules of professional conduct.

It is believed that the intense pressure put on the CPAs at the organizations which have collapsed recently, had a huge impact on them and ultimately led them to compromise their ethics. While we all understand that CPAs should not allow these pressures to interfere with their ethical, legal, and moral standards; sometimes this is easier said than done when face-to-face with an actual dilemma of our own.

While it usually seems that the difference between “right” and “wrong” is very clear, it is closer to the truth that no two people in the world would agree on the same ethical codes of conduct to define “right” and “wrong.” Each of us has our own unique ability to ethically reason through conflicts which may arise within our own personal codes of ethical conduct. It is through this reasoning that we are forced most likely on a daily basis, to determine what is ethically appropriate in our actions.

In the same respect, the way that we “reason” is not the same for all of us. For example, consider two people in a parking lot outside of a convenience store talking. During their conversation, a man leaves the store and accidentally drops a \$20 bill. He does not notice it and proceeds to get into his car and leave. Both of the men having the conversation notice the man dropped the \$20. While one of the men quickly picks up the \$20 and laughs that good things happen to good people as he starts to put the money into his pocket, the other man quickly tries to flag down

Chapter 2 – Ethical Reasoning and Dilemmas

the owner of the money to give it back to him. How is each of these men using ethical reasoning to ultimately drive their actions?

The man who wanted to pocket the money may have reasoned that, although his religious ethical rules of conduct would not have permitted him to keep the money; he was not in church at the time. He also was expected to abide by his businesses ethical rules of conduct, which stated that all is fair in love and money.

However, the other man who flagged down the owner of the \$20 reasoned that while his business also had an ethical code, which stated that he should always put his company's values first, he was also obliged to abide by his social ethical code, in which he was obligated to treat his neighbor as he would want to be treated.

The Reasoning Process

When resolving ethical dilemmas, Iris Stuart recommends an ethics model consisting of the following four steps:

1. The accountant must recognize that an ethical dilemma is occurring.
2. The accountant must identify the parties that would be interested in the outcome of the dilemma.
3. The accountant must determine alternatives and evaluate the effect of each alternative on the interested parties.
4. The accountant must select the best alternative.⁴

Case Study

A study was published in 1994, to determine how 100 randomly selected accountants, specifically auditors, used ethical reasoning when confronted with issues related to client confidentiality, Rule 301, *Confidential Client Information*, of the AICPA's Code of Professional Conduct⁵.

In this exercise you are asked to review the scenarios they were provided and respond to each circumstance described using the following guide (as originally provided in the study):

- To inform or not inform a third party of confidential client information,
- Indicate which response given in 1) is considered "good ethical behavior" if the Code was disregarded, and
- Justify your answers.

⁴ Iris Stuart, 2004, *Ethics in the Post-Enron Age*. SouthWestern/Thomson, p. 6. ISBN 0324191936

⁵ "Ethical reasoning in confidentiality decisions," by Barbara L. Adams, Fannie L. Malone, and Woodrow James, Jr., *The CPA Journal*, July 1994

Chapter 2 – Ethical Reasoning and Dilemmas

◆ Scenario 1 ◆

James Corporation employs the regional CPA firm of Green and Cash to audit its financial statements. The firm has been asked to prepare quarterly financial statements for the first quarter of 1986. Bob Ethics, a staff accountant, was assigned to do the work. During the course of preparing the statements, Bob discovered that James Corporation materially understated net income on last year's tax return. Bob informed his supervisor about this and the client is asked to prepare an amended tax return. The client, however, refused to take corrective action.

What would you do? Why?

After tallying the results for Scenario 1, the study concluded that “given a Code, most (78%) respondents would not inform the IRS. This is in agreement with the rule of conduct. Although the variability increased, most CPAs (70%) in this situation, would make the same decision without a Code. This is consistent with the justification given that most CPAs perceived themselves to be an advocate of the client in a tax engagement. There was no perceived conflict in the rule of conduct and what most accountants perceived as good ethical behavior.”

◆ Scenario 2 ◆

Johnson Manufacturing Corporation is a publicly owned company that manufactures equipment used by hospitals and medical laboratories. The company is audited by the national accounting firm of Adams & Pitre. One day, John, the senior in charge of the engagement overheard a conversation between two managers indicating that although they met inspection standards, they were aware of a defect in a particular piece of equipment, but they had not notified any of their customers because they felt the probability of malfunction was low. John takes this information to the controller and is told not to include it in the audit report. He then takes it to the manager on the engagement. The manager informs University Hospital, one of its clients, and also a major customer of Johnson Manufacturing Corporation, not to purchase any more equipment from Johnson. Johnson sues Adams & Pitre for violating the confidentiality rule.

What would you do? Why?

After tallying the responses to Scenario 2, the study found that “most CPAs (78%) responding in this situation would adhere to the Code and not inform one client of information discovered while auditing another client. A large percentage (52%) of respondents, however, indicated that informing would be the “best ethical behavior.” In most instances, “potential safety concerns” were cited as the justification for considering

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informing as the “best ethical behavior.” Thus, there appears to be some conflict in adhering to the Code and the moral value of some CPAs.”

◆ Scenario 3 ◆

William Johnson, a CPA, served as a director of Last National Bank for a year. As a director, William may be held liable for damages if he fails to use care and prudence in administering bank affairs and such action causes the bank to suffer a financial loss. In the course of an audit, William discovered a seriously weakened financial position in a client who has a large loan at Last National Bank. Disclosure of this condition to the other bank directors would minimize the bank's loss, however, since the audit has not been completed, this would represent a violation of Rule 301 of the Code.

What would you do? Why?

From the responses to Scenario 3 that were received in the study, it was determined that “given a Code, a majority (78%) of CPAs would not inform, which is in agreement with the Code. A lesser percentage (53%), however, feel this is the best ethical behavior.”

In conclusion, the study stated the following:

“The findings of this study indicate that CPAs usually adhere to the Code (rule deontology) in resolving issues involving confidentiality. However, such decisions are not always in accord with what they perceive as “good ethical behavior.” The broad principles of the Code indicate that ethical conduct, in the truest sense, means more than abiding by a letter of a rule. It means accepting a responsibility to do what is honorable or doing that which promotes the greatest good to the greatest number of people, even if it results in some personal sacrifice. Somehow, the profession needs to emphasize the “greatest good” criterion more strongly in applying the rules of conduct.”

Ethical Reasoning and Business

Wikipedia defines the term “business” as follows:

“...a business (also called firm or enterprise) is a legally recognized organizational entity existing within an economically free country designed to provide goods and/or services to consumers. Businesses are predominant in capitalist economies, where most are privately owned and typically formed to earn profit to increase the wealth of their owners. The owners and operators of a business have as one of their main objectives the receipt or generation of a financial return in exchange for their work and their acceptance of risk.”

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All of us in business understand that the main objective of a business is “the receipt or generation of a financial return.” But we also have no doubt been put into a position, while conducting business, where we had to use ethical reasoning to make decisions based upon whether generating profit should be held above all else.

◆ Case Study ◆

On September 29 and 30, 1982, seven Chicago area residents ingested Extra-Strength Tylenol capsules that had been laced with cyanide. Within a matter of hours, all seven were dead. The murders triggered the largest product tampering investigation in the history of modern law enforcement, with nearly 120 investigators from various state and local law enforcement agencies and FBI Special Agents working around the clock to identify the person or persons responsible for the poisonings.

Johnson and Johnson, the manufacturer of Tylenol, was faced with the possibility of potential disaster. Tylenol accounted for approximately 18% of its total corporate revenue. The organization was faced with making a decision on how to react and at the same time, did not have answers to the following questions:

1. Were these deaths just the first of many to come?
2. Was the incident confined to the Chicago area or would other cases outside the area emerge?
3. Were the Tylenol capsules laced during the manufacturing process, or did the crime occur after they had been distributed to resellers?

Although the Food and Drug Administration (FDA) did issue a statement immediately warning the public of the potential danger, they did not require Johnson and Johnson to do a complete recall of its product. The FDA decided to leave that decision up to the manufacturer.

What Johnson & Johnson did know is that it did not have insurance that would cover the millions of dollars of lost income a total recall would likely produce. There was also a good chance that a total recall could so damage the reputation of the Tylenol product, that it would never be able to regain its 37 % of the over-the-counter analgesic market share.

Despite the gloomy outlook for the organization, the Board of Directors for Johnson and Johnson ultimately decided to issue a total recall of its Extra-Strength Tylenol capsules. Deciding that protecting the welfare of the general public was their priority, even at the risk of a huge potential loss for the Company, paid off for Johnson & Johnson in the end. The company's reputation remained strong and no other deaths were reported.

No one was ever charged with the murders, although a 37-year old New York man, James Lewis, was charged with attempting to extort \$1 million dollars from Johnson and Johnson. Lewis was convicted of the attempted extor-

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tion following a trial in U.S. District Court in Chicago and was sentenced to 20 years in prison.

Greed

One of the most common reasons CPAs compromise their ethical values is due to greed. Greed, an excessive desire to possess wealth or goods, can be so overpowering that many times it so overwhelms us that we do things we know are wrong. Most that are driven by greed always seem to somehow find a way to justify their actions, in a way that convinces them that what they are doing is not really unethical.

Success

Many times our unethical behavior may be driven by our need to succeed. But, how do you measure success? Whether it be “climbing the corporate ladder” or “adding another zero,” to our salary, how much fame or fortune does a person really need to feel successful?

◆ Case Study ◆

On March 10, 2009, a Criminal Information Complaint was filed in Manhattan federal court charging Bernard L. Madoff with eleven felony charges including securities fraud, investment adviser fraud, mail fraud, wire fraud, three counts of money laundering, false statements, perjury, false filings with the United States Securities and Exchange Commission (SEC), and theft from an employee benefit plan. There was no plea agreement between the Government and the defendant. On March 12, 2009, Madoff pleaded guilty to all eleven counts in the Information. On June 29, 2009, Madoff was sentenced by Judge Chin to a term of imprisonment of 150 years.

David G. Friehling, the CPA who performed audit services for Madoff, pleaded guilty November 3, 2009 to nine criminal charges carrying a potential prison term of 114 years. Among the charges are securities fraud, investment advisor fraud, making false filings with the SEC and obstructing or impeding the administration of the Internal Revenue Office (IRS). Friehling's CPA license was revoked in 2010. At 49 years old, having a wife and three children, Friehling's career as a CPA was over.

According to court documents,⁶ from 1991 through 2009, Friehling worked as a sole proprietor at the firm Friehling and Horowitz, CPAs. Jerome Horowitz (Friehling's father-in-law) is reported to have retired in or around 1991, and Friehling was the only employee of the firm since that time.

⁶ U.S. Justice Department Guilty Plea Transcript, November 3, 2009, <http://www.justice.gov/usao/nys/madoff/friehling20091103guiltypleatranscript.pdf>, retrieved on October 26, 2010

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Although he had no staff to assist him, for 17 years Friehling's firm was retained by Madoff Investment Securities to audit its financial statements that were filed with the SEC. Friehling also stated in court that prior to his retiring, his father-in-law, Jerome Horowitz, was the auditor for Madoff Investment Securities. Horowitz also occasionally assisted Friehling, according to his testimony, in conducting the audit for Madoff Investment Securities after he retired and until 1998. Horowitz passed away from cancer on March 12th 2009, the day Madoff pleaded guilty.

Although he received a monthly retainer throughout the 17 years, the courts found that Friehling never once actually performed a meaningful audit of Madoff Investment Securities (i.e., he did not verify any of the information provided to him by Madoff). Yet, over the 17 years, he issued numerous reports stating that he had done so and issued unqualified opinions regarding those financial statements.

In addition, the courts found that Friehling also had a conflict of interest and was therefore not independent of Madoff Investment Securities. Friehling and his family members all had investment advisory accounts at Madoff Investment Securities. Friehling's investments exceeded \$500,000 according to his testimony. No disclosure of this fact was ever made in Friehling's reports.

Friehling also plead guilty to aiding and abetting a device, scheme or artifice to defraud. This charge resulted due to the evidence that the courts found which they believe proved that Friehling knew at the time he certified the financial statements that they were materially false, but nevertheless issued an opinion that they were fair and accurate.

As these statements were filed with the SEC and investors of Madoff Investment Securities relied upon these statements to make investment decisions, Friehling was also charged and plead guilty to securities fraud, investment advisor fraud and making false filings with the SEC.

Finally, Friehling pled guilty to impeding the administration of the IRS laws. From 1991 through 2008, Friehling assisted in the preparation of numerous false tax returns, with corrupt intent, for Madoff as well as others according to the courts.

While Friehling still maintains that he knew nothing of Madoff's engagement in a Ponzi scheme, in his testimony to the court he stated: "In what is surely the biggest mistake of my life, I placed my trust in Bernard Madoff."

Do you think that the biggest mistake that Friehling made was putting his trust in Madoff? If not, what do you think was his biggest mistake?

Friehling is free on a 2.5 million bond and was originally scheduled to be sentenced on March 18, 2011.

A successful CPA, with a wife and three kids, compromised his core values of integrity, objectivity and independence for what he perhaps believed would make him even more successful. Will he now instead spend the rest of his life behind bars?

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Review Questions

1. The difference between “right” and “wrong” is generally which of the following?
 - A. Very clear
 - B. Inherited
 - C. A set of rules that apply to all humans
 - D. A set of rules that no two people would totally agree on
2. The largest part of the prior research projects which have been done on ethical issues in accounting have generally focused on which of the following?
 - A. What is “right”
 - B. What is “wrong”
 - C. What is “bad”
 - D. Whether accountants are abiding by the rules of professional conduct
3. Which of the following principles emphasizes maxims, duties, rules, and principles that are so important that they should be followed whatever the consequences?
 - A. Utilitarianism
 - B. Teleological ethics
 - C. Kantian ethics
 - D. Utilitarianism and Deontology

Review Answers

1.
 - A. Incorrect. While on initial thought, one's perception of right and wrong may seem very clear, this is not usually the case in most situations.
 - B. Incorrect. Ethics is a science based on a set of rules. Those rules (or the determinations of what is right and wrong) are different for many people even within the same family.
 - C. Incorrect. There is no one set of ethical rules that apply to all humans. For example, people who attend different churches probably abide by different rules. Rather, there are many sets of rules that apply to various groups.
 - D. **Correct.** While the difference between "right" and "wrong" may seem very clear to each of us individually, it is closer to the truth that no two people in the world would agree on the same ethical codes of conduct to define "right" and "wrong."
2.
 - A. Incorrect. Most likely, it would be very difficult for research projects to define what is right for everyone. Ethical rules are however, defined based on a particular group's definition of what is right.
 - B. Incorrect. Most likely, it would be very difficult for research projects to define what is wrong for everyone. Ethical rules are however, defined based on a particular group's definition of what is wrong.
 - C. Incorrect. Most likely, it would be very difficult for research projects to define what is bad for everyone. Ethical rules are however, defined based on a particular group's definition of what is bad.
 - D. **Correct.** Many times, conflicts occur when trying to abide by one code of ethical conduct, without breaking the rules of another. For example, one's religious ethical code may interfere with one's professional code of conduct. This is where ethical reasoning comes into play and it is where the largest part of the prior research projects have been done on ethical issues in accounting.
3.
 - A. Incorrect. Utilitarianism applies the reasoning that the best long-term interest of everyone concerned should be the moral standard.
 - B. Incorrect. Teleological ethics applies the reasoning that one should take those actions that lead to the greatest balance of good versus bad consequences.

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- C. **Correct.** Kantian ethics emphasizes maxims, duties, rules, and principles that are so important that they should be followed whatever the consequences.
- D. **Incorrect.** Many times, conflicts occur when trying to abide by one code of ethical conduct, without breaking the rules of another. There are basically two separate principles used to resolve ethical dilemmas, related to CPAs, which are utilitarianism (Teleological ethics) and rule deontology (Kantian ethics).

Chapter 3

Core Values of the CPA Profession

Learning Objectives

- Identify core values of the CPA profession
- Discern what a person in the performance of professional accounting services or professional accounting work shall be free of
- Determine what must be avoided when upholding integrity and objectivity

Introduction

Integrity, objectivity and independence are the core values of the CPA profession. They are discussed in the AICPA Code of Professional Conduct. When a CPA loses their commitment to these core values, they lose their honor.

"Honor is better than honors." - President Lincoln

◆ Case Study ◆

Founded in 1913 in Chicago, Illinois, Arthur Andersen was an organization that was committed to integrity, objectivity and independence. Its founder, Arthur Andersen, donated more than \$5 million dollars to universities for awareness of ethical issues pertaining to business, prior to his death in 1947. Anderson considered ethics to be the backbone of the firm.

After his death, it appears those values were lost, and the greed of corporate officers and its partners led to the scandals associated with WorldCom, Waste Management, and Enron. Now, what was once recognized as one of the top accounting and auditing firms in the nation, Arthur Anderson is a firm that has lost its honor.

Integrity and Objectivity

A conflict of interest may occur if a person performs a professional accounting service or professional accounting work for a client or employer and the person has a relationship with another person, entity, product, or service that could, in the person's professional judgment, be viewed by the client, employer, or other appropriate parties as impairing the person's objectivity.

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Certain professional engagements, such as audits, reviews, and other services, require independence. Independence impairments cannot be eliminated by disclosure and consent.

A person shall not concurrently engage in the practice of public accountancy and in any other business or occupation which impairs independence or objectivity in rendering professional accounting services or professional accounting work, or which is conducted so as to augment or benefit the accounting practice unless these rules are observed in the conduct thereof.

The AICPA Code of Professional Conduct (ET Section 54 Article III) states that: “To maintain and broaden public confidence, members should perform all professional responsibilities with the highest sense of integrity.” Integrity is defined as:

“an element of character fundamental to professional recognition. It is the quality from which the public trust derives and the benchmark against which a member must ultimately test all decisions.”

The Code notes that while integrity requires a CPA to be honest (it cannot accommodate deceit or subordination of principle), it also requires the CPA to recognize the constraints of client confidentiality. In addition, service and the public trust should not be subordinated to personal gain and advantage.

While integrity can be measured in terms of what is right or wrong, objectivity is a state of mind. According to the Code, the principle of objectivity imposes the obligation to be:

- impartial,
- intellectually honest, and
- free of conflicts of interest.

Rule 102 of the Code states that:

“In the performance of any professional service, a member shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.”

A CPA may be considered in violation of this Rule if he or she:

- Makes, or permits or directs another to make, materially false and misleading entries in an entity’s financial statements or records.

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- ❖ Fails to correct an entity's financial statements or records that are materially false and misleading when he or she has the authority to record an entry.
- ❖ Signs, or permits or directs another to sign, a document containing materially false and misleading information.

Conflicts of interest should be considered for example when:

- ❖ A member has been asked to perform litigation services for the plaintiff in connection with a lawsuit filed against a client of the member's firm.
- ❖ A member has provided tax or personal financial planning (PFP) services for a married couple who are undergoing a divorce, and the member has been asked to provide the services for both parties during the divorce proceedings.
- ❖ In connection with a PFP engagement, a member plans to suggest that the client invest in a business in which he or she has a financial interest.
- ❖ A member provides tax or PFP services for several members of a family who may have opposing interests.
- ❖ A member has a significant financial interest, is a member of management, or is in a position of influence in a company that is a major competitor of a client for which the member performs management consulting services.
- ❖ A member serves on a city's board of tax appeals, which considers matters involving several of the member's tax clients.
- ❖ A member has been approached to provide services in connection with the purchase of real estate from a client of the member's firm.
- ❖ A member refers a PFP or tax client to an insurance broker or other service provider, which refers clients to the member under an exclusive arrangement to do so.
- ❖ A member recommends or refers a client to a service bureau in which the member or partner(s) in the member's firm hold material financial interest(s). [Rule 102-2]

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◆ Case Study ◆

Working for a company with an outstanding credit line and covenants that are required to be met in order for the line not to become due and payable in full, can always be a challenge for a controller. As the person in charge of reporting the financials, Sue Smith found herself in uncomfortable situations various times with this issue particularly with one company. Our biggest problem was our accounts receivable balance, Sue explains.

In the industry of providing training workshops, our contracts specifically stated the dates of the workshops and that in the event the workshop was cancelled by the client, the full amount of the contract would be due in full (a no cancellation policy).

The problem was that many of the contracts stating this policy were not being signed by the client. Although there were verbal agreements that this was the cancellation policy, without a written agreement, Sue did not feel it was appropriate to accrue the revenue on the financials. However, if she did not, it could mean that the line of credit would become due and payable as the company depended on the accounts receivable balance to meet their current ratio covenant. The owners may even fire Sue if that happened. She felt she would let her company and all of its employees down if she did not do her best to meet the covenant requirements. Or would she? It wasn't her responsibility to make sure the contracts got signed by the clients? Her responsibility was to report accurate and timely financial information. Sue finally decided that she could not report on a contract that was not signed.

What would you do?

Sue refused to accrue the revenue on contracts that were not signed. Yes, there were some complaints in the beginning, but thanks to the fax machine and a few fast moving sales representatives and clients, they were always able to get a signed copy when they needed it. Sue also noticed that fewer and fewer unsigned contracts existed and the board of directors seemed to have much more faith in her ability to control the financial processes.

Independence

Upholding integrity and objectivity values calls for avoiding both actual and apparent conflicts of interest. This is also referred to as being independent both in fact and in appearance.

- **Independence of mind.** The state of mind that permits the performance of an attest service without being affected by influences that compromise professional judgment, thereby allowing

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an individual to act with integrity and exercise objectivity and professional skepticism.

- **Independence in appearance.** The avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity, or professional skepticism of a firm or a member of the attest engagement team had been compromised. [ET Section 100.01]

“Covered members” are required to comply with the independence rules under the AICPA Code of Professional Conduct. Covered members include:

1. An individual on the client’s attest engagement team
2. An individual in a position to influence the client’s attest engagement
3. A partner or manager who provides more than 10 hours of nonattest services to the attest client
4. A partner in the office in which the lead attest engagement partner primarily practices in connection with the client’s attest engagement
5. The firm, including the firm’s employee benefit plans
6. An entity whose operating, financial, or accounting policies can be controlled by any of the individuals or entities described in items 1-5 or by two or more such individuals or entities if they act together

Exception: The Code prohibits these relationships if you are a partner or professional employee in a public accounting firm, even if you are not a covered member:

- Director, officer, or employee (or in any capacity equivalent to a member of management) of the client, promoter, underwriter, voting trustee, or trustee of any of the client’s employee benefit plans
- Owner of more than 5 percent of an attest client’s outstanding equity securities (or other ownership interests)

ET Section 100, *Independence*, of the AICPA Code of professional Conduct requires the following in respect to a CPA’s independence when performing an attest engagement:

- A member should consult the rules of his or her state board of accountancy, or his or her state CPA society.

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- If the member's report will be filed with the U.S. Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB) and the SEC rules should also be reviewed.
- If the member's report will be filed with the U.S. Department of Labor (DOL), the DOL rules should be reviewed.
- If law, regulation, agreement, policy or contract requires the member's report to be filed under the Government Accountability Office (GAO) regulations, the GAO rules should be reviewed.
- Any other organization that issues or enforces standards of independence that would apply to the member's engagement should also be reviewed. Such organizations may have independence requirements or rulings that differ from (e.g., may be more restrictive than) those of the AICPA.

Also understanding that it is impossible to address all potential independence conflicts which may occur, the AICPA requires that accountants use the risk-based approach to address matters which are not specifically discussed in the Code.

Risk-Based Approach to Independence

Applying the risk-based approach when determining independence generally means that when threats to independence are not at an acceptable level, safeguards must be applied to eliminate the threats or reduce them to an acceptable level. In cases when threats to independence are not at an acceptable level, and thereby require the application of safeguards, the threats identified and the safeguards applied to eliminate the threats or reduce them to an acceptable level must be documented.

ET Section 100-1, *Conceptual Framework for AICPA Independence Standards*, details the requirements of the risk-based approach to analyzing independence matters, as summarized below.

Steps Required Under the Risk-Based Approach to Independence

1. **Identify and evaluate threats to independence**—Identify and evaluate threats, both individually and in the aggregate, because threats can have a cumulative effect on a member's independence. Where threats are identified but, due to the types of threats and their potential effects, such threats are considered to be at an acceptable level (that is, it is not reasonable to expect that the threats would compromise professional judgment), the consideration of safeguards is not

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required. If identified threats are not considered to be at an acceptable level, safeguards should be considered.

2. **Determining whether safeguards already eliminate or sufficiently mitigate identified threats and whether threats that have not yet been mitigated can be eliminated or sufficiently mitigated by safeguards**—Different safeguards can mitigate or eliminate different types of threats, and one safeguard can mitigate or eliminate several types of threats simultaneously. When threats are sufficiently mitigated by safeguards, the threats' potential to compromise professional judgment is reduced to an acceptable level. A threat has been sufficiently mitigated by safeguards if, after application of the safeguards, it is not reasonable to expect that the threat would compromise professional judgment.

Note: In cases where threats to independence are not at an acceptable level, thereby requiring the application of safeguards, the threats identified and the safeguards applied to eliminate the threats or reduce them to an acceptable level should be documented as required under "Other Considerations" of Interpretation 101-1, Interpretation of Rule 101 [ET section 101.02].

3. **If no safeguards are available to eliminate an unacceptable threat or reduce it to an acceptable level, independence would be considered impaired.**

Definitions

Impair—For purposes of this framework, impair means to effectively extinguish (independence). When a member's independence is impaired, the member is not independent.

Threats—Threats to independence are circumstances that could impair independence. Whether independence is impaired depends on the nature of the threat, whether it would be reasonable to expect that the threat would compromise the member's professional judgment and, if so, the specific safeguards applied to reduce or eliminate the threat, and the effectiveness of those safeguards.

Safeguards—Controls that mitigate or eliminate threats to independence. Safeguards range from partial to complete prohibitions of the threatening

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circumstance to procedures that counteract the potential influence of a threat. The nature and extent of the safeguards to be applied depend on many factors, including the size of the firm and whether the client is a public interest entity. To be effective, safeguards should eliminate the threat or reduce to an acceptable level the threat's potential to impair independence.

Categories of Threats

- (1) **Self-review**—Members reviewing as part of an attest engagement evidence that results from their own, or their firm's, nonattest work such as preparing source documents used to generate the client's financial statements
- (2) **Advocacy**—Actions promoting an attest client's interests or position.
 - a. Promoting the client's securities as part of an initial public offering
 - b. Representing a client in U.S. tax court
- (3) **Adverse interest**—Actions or interests between the member and the client that are in opposition, such as, commencing, or the expressed intention to commence, litigation by either the client or the member against the other.
- (4) **Familiarity**—Members having a close or longstanding relationship with an attest client or knowing individuals or entities (including by reputation) who performed nonattest services for the client.
 - a. A member of the attest engagement team whose spouse is in a key position at the client, such as the client's chief executive officer
 - b. A partner of the firm who has provided the client with attest services for a prolonged period
 - c. A member who performs insufficient audit procedures when reviewing the results of a nonattest service because the service was performed by the member's firm
 - d. A member of the firm having recently been a director or officer of the client
 - e. A member of the attest engagement team whose close friend is in a key position at the client

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- (5) **Undue influence**—Attempts by an attest client’s management or other interested parties to coerce the member or exercise excessive influence over the member.
 - a. A threat to replace the member or the member’s firm over a disagreement with client management on the application of an accounting principle
 - b. Pressure from the client to reduce necessary audit procedures for the purpose of reducing audit fees
 - c. A gift from the client to the member that is other than clearly insignificant to the member
- (6) **Financial self-interest**—Potential benefit to a member from a financial interest in, or from some other financial relationship with, an attest client.
 - a. Having a direct financial interest or material indirect financial interest in the client
 - b. Having a loan from the client, from an officer or director of the client, or from an individual who owns 10 percent or more of the client’s outstanding equity securities
 - c. Excessive reliance on revenue from a single attest client
 - d. Having a material joint venture or other material joint business arrangement with the client
- (7) **Management participation**—Taking on the role of client management or otherwise performing management functions on behalf of an attest client.
 - a. Serving as an officer or director of the client
 - b. Establishing and maintaining internal controls for the client
 - c. Hiring, supervising, or terminating the client’s employees

Categories of Safeguards

- (1) **Safeguards created by the profession, legislation, or regulation**—Examples include but are not limited to education and training requirements on independence and ethics rules for new professionals, professional standards and monitoring and disciplinary processes, external review of a firm’s quality control system, legislation governing the independence requirements of the firm, and competency and experience requirements for professional licensure.
- (2) **Safeguards implemented by the attest client**—Examples include but are not limited to safeguards such as the attest client has person-

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nel with suitable skill, knowledge, and/or experience who make managerial decisions with respect to the delivery of nonattest services by the member to the attest client or a tone at the top that emphasizes the attest client's commitment to fair financial reporting.

- (3) **Safeguards implemented by the firm, including policies and procedures to implement professional and regulatory requirements—** Examples include but are not limited to safeguards such as firm leadership that stresses the importance of independence and the expectation that members of attest engagement teams will act in the public interest or policies and procedures that are designed to implement and monitor quality control in attest engagements.

◆ Case Study ◆

Performance of Nonattest Services (Interpretation 101-3)

The following is a case study reported in the *Journal of Accountancy* (December, 2007) illustrating independence issues when performing nonattest services:

Construct Inc. is a small, family-owned-and-managed construction company that provides services to residential and commercial customers. The company employs George, an accountant who maintains the books and records, is familiar with GAAP and can prepare the financial statements. Because of a shortage of internal resources to do the work, Construct engaged its practitioner to help process the company's payroll. George oversaw the services in which the practitioner:

- ◆ Used approved timecards and other client records to calculate the payroll and generate unsigned checks for the client's signature.
- ◆ Transmitted payroll data to the client's financial institution (pre-authorized by the client).
- ◆ Submitted electronic payroll tax payments in accordance with U.S. Treasury Department and other relevant jurisdictions' guidelines under arrangements made with the client and its financial institution.

In accordance with Interpretation 101-3, George assumed all management responsibilities for the practitioner's services. He also performed control activities related to payroll. These duties included spot-checking the payroll for accuracy by recalculating the payroll for select

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employees and comparing his amounts to those the practitioner calculated, reviewing disbursements to gauge consistency with prior periods and investigating any inconsistencies. The practitioner considered George capable of overseeing the payroll work for independence purposes.

However, during the audit, the practitioner identified a significant deficiency in internal control over financial reporting. He learned that George misclassified payroll expense between contracts when posting the job cost ledger. This would have caused a misstatement in the financial statements.

Does the practitioner's identification of a significant deficiency or material weakness in internal control over financial reporting in an area in which he or she previously performed nonattest services impair independence?

The test for independence when the practitioner performs nonattest services is whether he or she complied with Interpretation 101-3. Under that rule, Construct Inc. and the practitioner agreed to the responsibilities that each would undertake in connection with the payroll services engagement. This ensured that the practitioner would not assume management's responsibilities for the payroll process. Therefore, the fact that the practitioner concluded during the audit that a significant deficiency (or even a material weakness) in ICFR existed does not mean that independence was impaired when the payroll services were performed.

Chapter 3 – Core Values of the CPA Profession

Review Questions

1. According to the AICPA Code of Professional Conduct, the principle of objectivity does not impose an obligation to be which of the following?
 - A. Impartial
 - B. Intellectually honest
 - C. Financially stable
 - D. Free of conflicts of interest

Review Answers

1.
 - A. Incorrect. According to the AICPA Code of Professional Conduct, the principle of objectivity imposes an obligation to be impartial.
 - B. Incorrect. According to the AICPA Code of Professional Conduct, the principle of objectivity imposes an obligation to be intellectually honest.
 - C. **Correct.** According to the AICPA Code of Professional Conduct, the principle of objectivity imposes an obligation to be impartial, intellectually honest, and free of conflicts of interest. It does *not* impose an obligation to be financially stable.
 - D. Incorrect. According to the AICPA Code of Professional Conduct, the principle of objectivity imposes an obligation to be free of conflicts of interest.

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Learning Objectives

- Pinpoint the funding source for the Division of Certified Public Accounting in Florida
- Recognize the term used for the study, appraisal, or review by one or more independent certified public accountants of one or more aspects of the professional work of a licensee
- Identify situations where there would be accountant-client privilege
- Spot a situation where a CPA or CPA firm may not receive a commission or contingency fee
- Determine what can happen if a CPA's license is revoked

Introduction

The website for the Florida Board of Accountancy is:

<http://www.myfloridalicense.com/dbpr/cpa/index.html>

In addition to links to the rules and statutes, the website also includes recent news and numerous other sources of information which consumers, licensees and exam candidates may find helpful.

Disciplinary Action

Chapter 455 Business and Professional Regulation: General Provisions

Sections 455.224 through 455.232, detail the statutes and rules that the Florida Board of Accountancy (BOA) follow when they believe grounds for disciplinary action exist against a CPA licensed in the State of Florida. Summaries of each of these statutes follow.

455.224 Authority to Issue Citations

If the BOA believes that grounds exist for disciplinary action exist a citation will be issued to the subject and shall contain the subject's name and address, the subject's license number if applicable, a brief factual statement, the sections of the law allegedly violated, and the penalty imposed. A citation must be issued within 6 months after the filing of the complaint that is the basis for the citation. Service of a citation may be made by personal service or certified mail, restricted delivery, to the subject at the subject's last known address.

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The citation will clearly state that the subject may choose, in lieu of accepting the citation, to follow the procedure under section 455.225. However, if the subject does not dispute the matter in the citation with the BOA within 30 days after the citation is served, the citation becomes a final order and constitutes discipline. The penalty shall be a fine or other conditions as established by rule.

The BOA is entitled to recover the costs of investigation, in addition to any penalty provided according to BOA rule, as part of the penalty levied pursuant to the citation.

455.225 Disciplinary Proceedings

Disciplinary proceedings for each board shall be within the jurisdiction of the department.

The BOA investigates any complaint that is filed before it if the complaint is in writing, signed by the complainant, and legally sufficient. The BOA may require supporting information or documentation to support that the complaint is legally sufficient. The BOA may investigate and take appropriate final action on a complaint even though the original complainant withdraws it or otherwise indicates a desire not to cause the complaint to be investigated or prosecuted to completion. The BOA may also investigate an anonymous or confidential complaint if the complaint is in writing and is legally sufficient, if the alleged violation of law or rules is substantial, and if the BOA has reason to believe, after preliminary inquiry, that the violations alleged in the complaint are true. The BOA may also initiate an investigation if it has reasonable cause to believe that a licensee or a group of licensees has violated a Florida statute, a rule of the department, or a rule of a board.

When an investigation of any subject is undertaken, the BOA will promptly furnish to the subject or the subject's attorney a copy of the complaint or document that resulted in the initiation of the investigation. The subject may submit a written response to the information contained in such complaint or document within 20 days after service to the subject of the complaint or document. The subject's written response shall be considered by the probable cause panel. The right to respond does not prohibit the issuance of a summary emergency order if necessary to protect the public. However, the BOA may conduct an investigation without notification to any subject if the act under investigation is a criminal offense.

The BOA shall allocate sufficient and adequately trained staff to expeditiously and thoroughly determine legal sufficiency and investigate all legally sufficient complaints. When its investigation is complete and le-

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against the license, shall be construed as action against the license.

- (g) Having been found liable in a civil proceeding for knowingly filing a false report or complaint with the department against another licensee.
- (h) Attempting to obtain, obtaining, or renewing a license to practice a profession by bribery, by fraudulent misrepresentation, or through an error of the department or the board.
- (i) Failing to report to the department any person who the licensee knows is in violation of this chapter, the chapter regulating the alleged violator, or the rules of the department or the board.
- (j) Aiding, assisting, procuring, employing, or advising any unlicensed person or entity to practice a profession contrary to this chapter, the chapter regulating the profession, or the rules of the department or the board.
- (k) Failing to perform any statutory or legal obligation placed upon a licensee.
- (l) Making or filing a report which the licensee knows to be false, intentionally or negligently failing to file a report or record required by state or federal law, or willfully impeding or obstructing another person to do so. Such reports or records shall include only those that are signed in the capacity of a licensee.
- (m) Making deceptive, untrue, or fraudulent representations in or related to the practice of a profession or employing a trick or scheme in or related to the practice of a profession.
- (n) Exercising influence on the patient or client for the purpose of financial gain of the licensee or a third party.
- (o) Practicing or offering to practice beyond the scope permitted by law or accepting and performing professional responsibilities the licensee knows, or has reason to know, the licensee is not competent to perform.
- (p) Delegating or contracting for the performance of professional responsibilities by a person when the licensee delegating or contracting for performance of such responsibilities knows, or has reason to know, such person is not qualified by training, experience, and authorization when required to perform them.
- (q) Violating any provision of this chapter, the applicable professional practice act, a rule of the department or the board, or a lawful order of the department or the board, or failing to comply with a lawfully issued subpoena of the department.

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- (r) Improperly interfering with an investigation or inspection authorized by statute, or with any disciplinary proceeding.
 - (s) Failing to comply with the educational course requirements for domestic violence.
 - (t) Failing to report in writing to the board or, if there is no board, to the department within 30 days after the licensee is convicted or found guilty of, or entered a plea of nolo contendere or guilty to, regardless of adjudication, a crime in any jurisdiction. A licensee must report a conviction, finding of guilt, plea, or adjudication entered before the effective date of this paragraph within 30 days after the effective date of this paragraph.
 - (u) Termination from a treatment program for impaired practitioners as described in s.456.076 for failure to comply, without good cause, with the terms of the monitoring or treatment contract entered into by the licensee or failing to successfully complete a drug or alcohol treatment program.
- (2) When the board, or the department when there is no board, finds any person guilty of the grounds set forth in subsection (1) or of any grounds set forth in the applicable practice act, including conduct constituting a substantial violation of subsection (1) or a violation of the applicable practice act which occurred prior to obtaining a license, it may enter an order imposing one or more of the following penalties:
- (a) Refusal to certify, or to certify with restrictions, an application for a license.
 - (b) Suspension or permanent revocation of a license.
 - (c) Restriction of practice.
 - (d) Imposition of an administrative fine not to exceed \$5,000 for each count or separate offense.
 - (e) Issuance of a reprimand.
 - (f) Placement of the licensee on probation for a period of time and subject to such conditions as the board, or the department when there is no board, may specify. Those conditions may include, but are not limited to, requiring the licensee to undergo treatment, attend continuing education courses, submit to be reexamined, work under the supervision of another licensee, or satisfy any terms which are reasonably tailored to the violations found.
 - (g) Corrective action.
- (3) (a) In addition to any other discipline imposed pursuant to this section or discipline imposed for a violation of any practice

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act, the board, or the department when there is no board, may assess costs related to the investigation and prosecution of the case excluding costs associated with an attorney's time.

- (b) In any case where the board or the department imposes a fine or assessment and the fine or assessment is not paid within a reasonable time, such reasonable time to be prescribed in the rules of the board, or the department when there is no board, or in the order assessing such fines or costs, the department or the Department of Legal Affairs may contract for the collection of, or bring a civil action to recover, the fine or assessment.
- (c) The department shall not issue or renew a license to any person against whom or business against which the board has assessed a fine, interest, or costs associated with investigation and prosecution until the person or business has paid in full such fine, interest, or costs associated with investigation and prosecution or until the person or business complies with or satisfies all terms and conditions of the final order.
- (4) In addition to, or in lieu of, any other remedy or criminal prosecution, the department may file a proceeding in the name of the state seeking issuance of an injunction or a writ of mandamus against any person who violates any of the provisions of this chapter, or any provision of law with respect to professions regulated by the department, or any board therein, or the rules adopted pursuant thereto.
- (5) In the event the board, or the department when there is no board, determines that revocation of a license is the appropriate penalty, the revocation shall be permanent. However, the board may establish, by rule, requirements for reapplication by applicants whose licenses have been permanently revoked. Such requirements may include, but shall not be limited to, satisfying current requirements for an initial license.

455.2273 Disciplinary Guidelines

The BOA has disciplinary guidelines applicable to each ground for disciplinary action which may be imposed by the board pursuant to this chapter, the respective practice acts, and any rule of the board. A specific finding of mitigating or aggravating circumstances does allow the board to impose a penalty other than that provided for in such guidelines.

The disciplinary guidelines specify a meaningful range of designated penalties based upon the severity and repetition of specific offenses, it being the legislative intent that minor violations be distinguished from

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those which endanger the public health, safety, or welfare; that such guidelines provide reasonable and meaningful notice to the public of likely penalties which may be imposed for proscribed conduct; and that such penalties be consistently applied by the board.

455.2274 Criminal Proceedings against Licensees; Appearances by Department Representatives

A representative of the department may voluntarily appear in a criminal proceeding brought against a person licensed by the department to practice a profession regulated by the state. The department's representative is authorized to furnish pertinent information, make recommendations regarding specific conditions of probation, and provide other assistance to the court necessary to promote justice or protect the public. The court may order a representative of the department to appear in a criminal proceeding if the crime charged is substantially related to the qualifications, functions, or duties of a license regulated by the department.

455.2275 Penalty for Giving False Information

In addition to, or in lieu of, any other discipline imposed pursuant to s.455.227, the act of knowingly giving false information in the course of applying for or obtaining a license from the department, or any board thereunder, with intent to mislead a public servant in the performance of his or her official duties, or the act of attempting to obtain or obtaining a license from either the department, or any board thereunder, to practice a profession by knowingly misleading statements or knowing misrepresentations constitutes a felony of the third degree, punishable as provided in s.775.082, s.775.083, or s.775.084.

455.2277 Prosecution of Criminal Violations

The department or the appropriate board shall report any criminal violation of any statute relating to the practice of a profession regulated by the department or appropriate board to the proper prosecuting authority for prompt prosecution.

455.228 Unlicensed Practice of a Profession; Cease and Desist Notice; Civil Penalty; Enforcement; Citations; Allocation of Moneys Collected

When the BOA has probable cause to believe that any person not licensed by the department, or the appropriate regulatory board within the department, has violated any provision of this chapter or any statute that relates to the practice of a profession regulated by the department, or any

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rule adopted pursuant thereto, the BOA may seek to have issued and delivered to such person a notice to cease and desist from such violation.

In addition, the department may issue and deliver a notice to cease and desist to any person who aids and abets the unlicensed practice of a profession by employing such unlicensed person. The department may also impose an administrative penalty not to exceed \$5,000. In addition to or in lieu of any remedy, the department may seek the imposition of a civil penalty through the circuit court for any violation for which the department may issue a notice to cease and desist. The civil penalty shall be no less than \$500 and no more than \$5,000 for each offense. The court may also award to the prevailing party court costs and reasonable attorney fees and, in the event the department prevails, may also award reasonable costs of investigation.

Each day that the unlicensed practice continues after issuance of a citation constitutes a separate violation.

455.2281 Unlicensed Activities; Fees; Disposition

In order to protect the public and to ensure a consumer-oriented department, it is the intent of the Legislature that vigorous enforcement of regulation for all professional activities is a state priority. All enforcement costs should be covered by professions regulated by the department. Therefore, the department shall impose, upon initial licensure and each renewal thereof, a special fee of \$5 per licensee. Such fee shall be in addition to all other fees collected from each licensee and shall fund efforts to combat unlicensed activity.

455.2285 Annual Report Concerning Finances, Administrative Complaints, Disciplinary Actions, and Recommendations

The department is directed to prepare and submit a report to the President of the Senate and Speaker of the House of Representatives by November 1 of each year. In addition to finances and any other information the Legislature may require, the report shall include statistics and relevant information, profession by profession, detailing:

- (1) The revenues, expenditures, and cash balances for the prior year, and a review of the adequacy of existing fees.
- (2) The number of complaints received and investigated.
- (3) The number of findings of probable cause made.
- (4) The number of findings of no probable cause made.
- (5) The number of administrative complaints filed.
- (6) The disposition of all administrative complaints.
- (7) A description of disciplinary actions taken.

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- (8) A description of any effort by the department, for any disciplinary cases under its jurisdiction, to reduce or otherwise close any investigation or disciplinary proceeding not before the Division of Administrative Hearings under chapter 120 or otherwise not completed within 1 year after the initial filing of a complaint under this chapter.
- (9) The status of the development and implementation of rules providing for disciplinary guidelines pursuant to s.455.2273.
- (10) Such recommendations for administrative and statutory changes necessary to facilitate efficient and cost-effective operation of the department and the various boards.

455.2286 Automated Information System

The BOA website provides information to interested parties regarding the status of the certification of all licensees. This information can be found at: <https://www.myfloridalicense.com/w111.asp?mode=0&SID=>

455.229 Public Inspection of Information Required from Applicants; Exceptions; Examination Hearing

- (1) All information required by the department of any applicant shall be a public record and shall be open to public inspection pursuant to s.119.07, except financial information, medical information, school transcripts, examination questions, answers, papers, grades, and grading keys, which are confidential and exempt from s.119.07(1) and shall not be discussed with or made accessible to anyone except members of the board, the department, and staff thereof, who have a bona fide need to know such information. Any information supplied to the department by any other agency which is exempt from the provisions of chapter 119 or is confidential shall remain exempt or confidential pursuant to applicable law while in the custody of the department.
- (2) The department shall establish by rule the procedure by which an applicant, and the applicant's attorney, may review examination questions and answers. Examination questions and answers are not subject to discovery but may be introduced into evidence and considered only in camera in any administrative proceeding under chapter 120. If an administrative hearing is held, the department shall provide challenged examination questions and answers to the administrative law judge. The examination questions and answers provided at the hearing are confidential and exempt from s.119.07(1), unless invalidated by the administrative law judge.

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- (3) Unless an applicant notifies the department at least 5 days prior to an examination hearing of the applicant's inability to attend, or unless an applicant can demonstrate an extreme emergency for failing to attend, the department may require an applicant who fails to attend to pay reasonable attorney's fees, costs, and court costs of the department for the examination hearing.

455.232 Disclosure of Confidential Information

- (1) No officer, employee, or person under contract with the department, or any board therein, or any subject of an investigation shall convey knowledge or information to any person who is not lawfully entitled to such knowledge or information about any public meeting or public record, which at the time such knowledge or information is conveyed is exempt from the provisions of s.119.01, s.119.07(1), or s. 286.011.
- (2) Any person who willfully violates any provision of this section is guilty of a misdemeanor of the first degree, punishable as provided in s.775.082 or s.775.083, and may be subject to discipline pursuant to s.455.227, and, if applicable, shall be removed from office, employment, or the contractual relationship.

Chapter 473 Public Accountancy

473.301 Purpose

The Legislature recognizes that there is a public need for independent and objective public accountants and that it is necessary to regulate the practice of public accounting to assure the minimum competence of practitioners and the accuracy of audit statements upon which the public relies and to protect the public from dishonest practitioners and, therefore, deems it necessary in the interest of public welfare to regulate the practice of public accountancy in this state.

473.302 Definitions

Definitions for terms in this section can be found at:
<http://www.flsenate.gov/Laws/Statutes/2013/473.302>

473.303 Board of Accountancy

The BOA consists of nine members, seven of whom must be CPAs licensed in this state and two of whom must be laypersons who are not and have never been CPAs or members of any closely related profession or occupation. The members who are CPAs must have practiced public accounting on a substantially full-time basis in this state for at least 5 years.

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At least one member of the board must be 60 years of age or older. Each member shall be appointed by the Governor, subject to confirmation by the Senate.

The probable cause panel of the board may be composed of at least one current board member who shall serve as chair and additional current board members or past board members who are CPAs licensed in this state and in good standing. The past board members shall be appointed to the panel for a term of 2 years by the chair of the board with the approval of the secretary of the department, and may be reappointed for additional terms.

473.3035 Division of Certified Public Accounting

The Division of Certified Public Accounting is funded by fees and assessments of the board, and funds collected by the board are used only to fund public accounting regulation.

473.304 Rules of Board; Powers and Duties; Legal Services

Every CPA and firm is governed and controlled by this act and the rules adopted by the board. Subject to the prior approval of the Attorney General, the board may retain independent legal counsel to provide legal advice to the board on a specific matter.

473.305 Fees

The board, by rule, may establish fees to be paid for applications, examination, reexamination, licensing and renewal, reinstatement, and record-making and recordkeeping. The fee for the examination shall be established at an amount that covers the costs for the procurement or development, administration, grading, and review of the examination. The fee for the examination is refundable if the applicant is found to be ineligible to sit for the examination. The fee for initial application is nonrefundable, and the combined fees for application and examination may not exceed \$250 plus the actual per applicant cost to the department for purchase of the examination from the American Institute of Certified Public Accountants or a similar national organization. The biennial renewal fee may not exceed \$250. The board may also establish, by rule, a reactivation fee, and a delinquency fee not to exceed \$50 for continuing professional education reporting forms. The board shall establish fees which are adequate to ensure the continued operation of the board and to fund the proportionate expenses incurred by the department which are allocated to the regulation of public accountants. Fees shall be based on de-

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partment estimates of the revenue required to implement this chapter and the provisions of law with respect to the regulation of CPAs.

473.306 Examinations

A person desiring to be licensed as a Florida CPE must apply to the department to take the licensure examination. An applicant is entitled to take the licensure examination to practice in this state as a CPA if the applicant has completed 120 semester hours or 160 quarter hours from an accredited college or university with a concentration in accounting and business courses as specified by the board by rule.

473.3065 Clay Ford Scholarship Program; Certified Public Accountant Education Minority Assistance Advisory Council

The Clay Ford Scholarship Program for Florida residents is hereby established in the division for the purpose of providing scholarships to minority persons as defined in s. 288.703 who are students enrolled in their fifth year of an accounting education program at an institution in this state approved by the board by rule. A Certified Public Accountant Education Minority Assistance Advisory Council shall assist the board in administering the program.

All moneys used to provide scholarships under the Clay Ford Scholarship Program shall be funded by a portion of existing license fees, as set by the board, not to exceed \$10 per license. Such moneys shall be deposited into the Professional Regulation Trust Fund in a separate account maintained for that purpose. The department may spend up to \$200,000 per year for the program from this program account but may not allocate overhead charges to it. Moneys for scholarships shall be disbursed twice per year upon recommendation of the advisory council and approval by the board, based on the adopted eligibility criteria and comparative evaluation of all applicants. Funds in the program account may be invested by the Chief Financial Officer under the same limitations as apply to investment of other state funds, and all interest earned thereon shall be credited to the program account.

The Certified Public Accountant Education Minority Assistance Advisory Council assists the board in administering the Clay Ford Scholarship Program. The council consists of five licensed Florida CPAs selected by the board, of whom one is a board member who serves as chair of the council, one is a representative of the National Association of Black Accountants, one is a representative of the Cuban American CPA Association, and two are selected at large. At least one member of the council must be a woman.

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473.30 Licensure

A person desiring to be licensed as a Florida CPA must apply to the department for licensure, and:

- Successfully pass the licensure examination,
- Have at least 150 semester hours of college education, including a baccalaureate or higher degree conferred by an accredited college or university, with a concentration in accounting and business in the total educational program to the extent specified by the board, and
- Show that he or she has had 1 year of work experience. This experience shall include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills, all of which must be verified by a CPA who is licensed by a state or territory of the United States. This experience is acceptable if it was gained through employment in government, industry, academia, or public practice; constituted a substantial part of the applicant's duties; and was verified by a certified public accountant licensed by a state or territory of the United States.

An applicant for licensure must also show that the applicant has good moral character. Good moral character" means a personal history of honesty, fairness, and respect for the rights of others and for the laws of this state and nation.

473.309 Practice Requirements for Partnerships, Corporations, and Limited Liability Companies; Business Entities Practicing Public Accounting

- (1) A partnership may not engage in the practice of public accounting, as defined in s.473.302(8)(a), unless:
 - (a) It is a form of partnership recognized by Florida law.
 - (b) Partners owning at least 51 percent of the financial interest and voting rights of the partnership are CPAs in some state. However, each partner who is a certified public accountant in another state and is domiciled in this state must be a certified public accountant of this state and hold an active license.
 - (c) At least one general partner is a certified public accountant of this state and holds an active license or, in the case of a firm that must have a license pursuant to s.473.3101(1)(a)2., at least one general partner is a certified public accountant in some state and meets the requirements of s.473.3141(1)(a) or (b).

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- (d) All partners who are not CPAs in any state are engaged in the business of the partnership as their principal occupation.
 - (e) It is in compliance with rules adopted by the board pertaining to minimum capitalization, letters of credit, and adequate public liability insurance.
 - (f) It is currently licensed as required by s.473.3101.
- (2) A corporation may not engage in the practice of public accounting, as defined in s.473.302(8)(a), unless:
- (a) It is a corporation duly organized in this or some other state.
 - (b) Shareholders of the corporation owning at least 51 percent of the financial interest and voting rights of the corporation are CPAs in some state and are principally engaged in the business of the corporation. However, each shareholder who is a certified public accountant in another state and is domiciled in this state must be a certified public accountant of this state and hold an active license.
 - (c) The principal officer of the corporation is a certified public accountant in some state.
 - (d) At least one shareholder of the corporation is a certified public accountant and holds an active license in this state or, in the case of a firm that must have a license pursuant to s.473.3101(1)(a)2., at least one shareholder is a certified public accountant in some state and meets the requirements of s.473.3141(1)(a) or (b).
 - (e) All shareholders who are not CPAs in any state are engaged in the business of the corporation as their principal occupation.
 - (f) It is in compliance with rules adopted by the board pertaining to minimum capitalization, letters of credit, and adequate public liability insurance.
 - (g) It is currently licensed as required by s.473.3101.
- (3) A limited liability company may not engage in the practice of public accounting, as defined in s.473.302(8)(a), unless:
- (a) It is a limited liability company duly organized in this or some other state.
 - (b) Members of the limited liability company owning at least 51 percent of the financial interest and voting rights of the company are CPAs in some state. However, each member who is a certified public accountant in some state and is domiciled in this state must be a certified public accountant of this state and hold an active license.

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- (c) At least one member of the limited liability company is a certified public accountant and holds an active license in this state or, in the case of a firm that must have a license pursuant to s.473.3101(1)(a)2., at least one member is a certified public accountant in some state and meets the requirements of s.473.3141(1)(a) or (b).
- (d) All members who are not CPAs in any state are engaged in the business of the company as their principal occupation.
- (e) It is in compliance with rules adopted by the board pertaining to minimum capitalization, letters of credit, and adequate public liability insurance.
- (f) It is currently licensed as required by s.473.3101.
- (4) A partnership, corporation, limited liability company, or any other firm is engaged in the practice of public accounting if its employees are engaged in the practice of public accounting. Notwithstanding any other provision of law, a licensed audit firm may own all or part of another licensed audit firm.

473.3101 Licensure of Sole Proprietors, Partnerships, Corporations, Limited Liability Companies, and Other Legal Entities

- (1) Each sole proprietor, partnership, corporation, limited liability company, or any other firm seeking to engage in the practice of public accounting, as defined in s.473.302(8)(a), in this state must file an application for licensure with the department and supply the information the board requires. An application must be made upon the affidavit of a sole proprietor, general partner, shareholder, or member who is a certified public accountant.
 - (a) The following must hold a license issued under this section:
 - 1. Any firm with an office in this state which uses the title “CPA,” “CPA firm,” or any other title, designation, words, letters, abbreviations, or device tending to indicate that the firm practices public accounting.
 - 2. Any firm that does not have an office in this state but performs the services described in s.473.3141(4) for a client having its home office in this state. The board shall define by rule what constitutes an office.
 - (b) A firm that is not subject to the requirements of subparagraph (a)2. may perform other professional services while using the title “CPA,” “CPA firm,” or any other title, designation, words, letters, abbreviations, or device tending to indicate that

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the firm practices public accounting in this state without a license issued under this section only if:

1. It performs such services through an individual with practice privileges granted under s.473.3141; and
 2. It can lawfully do so in the state where the individual with practice privileges has his or her principal place of business.
- (2) The board shall determine whether the sole proprietor, partnership, corporation, limited liability company, or any other firm meets the requirements for practice and, pending that determination, may certify to the department the partnership, corporation, or limited liability company for provisional licensure.
- (3) Each license must be renewed every 2 years. Each sole proprietor, partnership, corporation, limited liability company, or any other firm licensed under this section must notify the department within 1 month after any change in the information contained in the application on which its license is based.

473.311 Renewal of License

- (1) The department shall renew a license issued under s.473.308 upon receipt of the renewal application and fee and upon certification by the board that the Florida certified public accountant has satisfactorily completed the continuing education requirements of s.473.312.
- (2) The department shall adopt rules establishing a procedure for the biennial renewal of licenses issued pursuant to this section.

473.312 Continuing Education

- (1) (a) As part of the license renewal procedure, the board shall by rule require Florida CPAs to submit proof satisfactory to the board that during the 2 years prior to application for renewal, they have successfully completed not less than 48 or more than 80 hours of continuing professional education programs in public accounting subjects approved by the board. The board may prescribe by rule additional continuing professional education hours, not to exceed 25 percent of the total hours required, for failure to complete the hours required for renewal by the end of the reestablishment period.
- (b) Not less than 25 percent of the total hours required by the board shall be in accounting-related and auditing-related subjects, as distinguished from federal and local taxation matters and management services.

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- (c) Not less than 5 percent of the total hours required by the board shall be in ethics applicable to the practice of public accounting. This requirement shall be administered by providers approved by the board and shall include a review of the provisions of chapter 455 and this chapter and the related administrative rules.
- (2) Programs of continuing professional education approved by the board shall be formal programs of learning which contribute directly to the professional competency of an individual following licensure to practice public accounting and may be any of the following:
 - (a) Professional development programs of the American Institute of Certified Public Accountants, state societies of CPAs, or other organizations.
 - (b) Technical sessions at meetings of the American Institute of Certified Public Accountants, state societies, chapters, or other organizations.
 - (c) University and college courses.
 - (d) Formal organized in-firm education programs.
- (3) The board shall adopt rules establishing the continuing education requirements for Florida CPAs who are engaged in the audit of a governmental entity. The board shall approve subjects directly related to the governmental environment and to governmental auditing for purposes of satisfying the requirement of this subsection.
- (4) For the purposes of maintaining proper continuing education requirements for renewal of licensure under this chapter, the board may appoint a Continuing Professional Education Advisory Committee, which shall be composed of one member of the board, one academician on the faculty of a university in this state, and six CPAs.

473.3125 Peer Review

“Peer review” means the study, appraisal, or review by one or more independent CPAs of one or more aspects of the professional work of a licensee. Effective January 1, 2015, a sole proprietor, partnership, corporation, limited liability company, or other firm licensed under s.473.3101 and engaged in the practice of public accounting as defined in s.473.302(8)(a), except for the performance of compilations and reviews as those terms are defined by the board, must be enrolled in a peer review program.

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473.313 Inactive Status

- (1) A Florida certified public accountant may request that her or his license be placed in an inactive status by making application to the department. The board may prescribe by rule fees for placing a license on inactive status, renewal of inactive status, and reactivation of an inactive license.
- (2) A license that has become inactive under subsection (1) or for failure to complete the requirements in s.473.312 may be reactivated under s.473.311 upon application to the department. The board may prescribe by rule continuing education requirements as a condition of reactivating a license. The minimum continuing education requirements for reactivating a license shall be those prescribed by board rule and those of the most recent biennium plus one-half of the requirements in s.473.312. Notwithstanding any other provision of this section, the continuing education requirements are 120 hours, including at least 30 hours in accounting-related and auditing-related subjects, not more than 30 hours in behavioral subjects, and a minimum of 8 hours in ethics subjects approved by the board, for the reactivation of a license that is inactive or delinquent on June 30, 2012, if the Florida certified public accountant notifies the Board of Accountancy by December 31, 2012, of an intention to reactivate such a license and completes such reactivation by June 30, 2014.
- (3) A license that is delinquent for failure to report completion of the requirements in s.473.312 may be reactivated under s.473.311 upon application to the department. Reactivation requires the payment of an application fee as determined by the board and certification by the Florida certified public accountant that the applicant satisfactorily completed the continuing education requirements set forth under s.473.311. If the license is delinquent on January 1 because of failure to report completed continuing education requirements, the applicant must submit a complete application to the board by March 15 immediately after the delinquent period.
- (4) Any Florida certified public accountant holding an inactive license may be permitted to reactivate such license in a conditional manner. The conditions of reactivation shall require the payment of fees and the completion of required continuing education.
- (5) Notwithstanding the provisions of s.455.271, the board may, at its discretion, reinstate the license of an individual whose license has become null and void if the individual has made a good faith effort to comply with this section but has failed to comply because of ill-

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ness or unusual hardship. The individual shall apply to the board for reinstatement in a manner prescribed by rules of the board and shall pay an application fee in an amount determined by rule of the board. The board shall require that the individual meet all continuing education requirements as provided in subsection (2), pay appropriate licensing fees, and otherwise be eligible for renewal of licensure under this chapter.

473.314 Temporary License

The board has adopted rules providing for the issuance of temporary licenses to CPAs or firms of other states who do not meet the requirements of s.473.3141, for the purpose of enabling them or their employees to perform specific engagements involving the practice of public accountancy in Florida. No temporary license shall be valid for more than 90 days after its issuance, and no license shall cover more than one engagement. After the expiration of 90 days, a new license shall be required. A fee in an amount established by the board not to exceed \$400 is required along with the application.

A temporary license is not required of CPAs or firms entering Florida solely for the purpose of preparing federal tax returns or advising as to federal tax matters if they do not use the title “CPA,” “CPA firm,” or any other title, designation, words, letters, abbreviations, or device tending to indicate that the CPAs or firms are authorized to practice public accounting.

473.3141 CPAs Licensed in Other States

- (1) Except as otherwise provided in this chapter, an individual who does not have an office in this state has the privileges of Florida CPAs and may provide public accounting services in this state without obtaining a license under this chapter or notifying or registering with the board or paying a fee if the individual:
 - (a) Holds a valid license as a certified public accountant from a state that the board or its designee has determined by rule to have adopted standards that are substantially equivalent to the certificate requirements in s.5 of the Uniform Accountancy Act in the issuance of licenses; or
 - (b) Holds a valid license as a certified public accountant from a state that has not been approved by the board as having adopted standards in substantial equivalence with s.5 of the Uniform Accountancy Act, but obtains verification from the board, or its designee, as determined by rule, that the individual’s certi-

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fied public accountant qualifications are substantially equivalent to the certificate requirements in s.5 of the Uniform Accountancy Act.

The board shall define by rule what constitutes an office.

- (2) Except as otherwise provided in this chapter, an individual who qualifies to practice under this section may offer or provide services in this state in person, by mail, by telephone, or by electronic means, and a notice, fee, or other submission is not required.
- (3) An individual certified public accountant from another state who practices pursuant to this section, and the firm that employs that individual, shall both consent, as a condition of the privilege of practicing in this state:
 - (a) To the personal and subject matter jurisdiction and disciplinary authority of the board;
 - (b) To comply with this chapter and the applicable board rules;
 - (c) That if the license as a certified public accountant from the state of the individual's principal place of business is no longer valid, the individual will cease offering or rendering public accounting services in this state, individually and on behalf of a firm; and
 - (d) To the appointment of the state board that issued the individual's license as the agent upon whom process may be served in any action or proceeding by the board or department against the individual or firm.
- (4) An individual who qualifies to practice under this section may perform the services identified in s.473.302(8)(a) only through a firm that has obtained a license issued under s.473.3101 or is authorized by s.473.3101 to provide such services.
- (5) Disciplinary action against an individual or firm that practices pursuant to this section is not valid unless, prior to the entry of a final order, the agency has served, by personal service pursuant to this chapter or chapter 48 or by certified mail, an administrative complaint that provides reasonable notice to the individual or firm of facts or conduct that warrants the intended action and unless the individual or firm has been given an adequate opportunity to request a proceeding pursuant to ss.120.569 and 120.57.

473.315 Independence, Technical Standards

- (1) A certified public accountant shall not express an opinion on the financial statements of an enterprise unless she or he and her or his firm are independent with respect to such enterprise.

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- (2) A certified public accountant shall not undertake any engagement in the practice of public accounting which she or he or her or his firm cannot reasonably expect to complete with professional competence.
- (3) The board shall adopt rules establishing the standards of practice of public accounting, including, but not limited to, independence, competence, and technical standards.
- (4) Attorneys who are admitted to practice law by the Supreme Court of Florida are exempt from the standards of practice of public accounting as defined in s.473.302(8)(b) and (c) when such standards conflict with the rules of The Florida Bar or orders of the Florida Supreme Court.

473.316 Communications between the Accountant and Client Privileged

A client has a privilege to refuse to disclose, and to prevent any other person from disclosing, the contents of confidential communications with an accountant when such other person learned of the communications because they were made in the rendition of accounting services to the client. This privilege includes other confidential information obtained by the accountant from the client for the purpose of rendering accounting advice.

The privilege may be claimed by:

- (a) The client.
- (b) A guardian or conservator of the client.
- (c) The personal representative of a deceased client.
- (d) A successor, assignee, trustee in dissolution, or any similar representative of an organization, corporation, or association or other entity, either public or private, whether or not in existence.
- (e) The accountant, but only on behalf of the client. The accountant's authority to claim the privilege is presumed in the absence of contrary evidence.

There is no accountant-client privilege under this section when:

- (a) The services of the accountant were sought or obtained to enable or aid anyone to commit or plan to commit what the client knew or should have known was a crime or fraud.
- (b) A communication is relevant to an issue of breach of duty by the accountant to her or his client or by the client to her or his accountant.

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- (c) A communication is relevant to a matter of common interest between two or more clients, if the communication was made by any of them to an accountant retained or consulted in common when offered in a civil action between the clients.

Communications are not privileged from disclosure in any disciplinary investigation or proceeding conducted pursuant to this act by the department or before the board or in any judicial review of such a proceeding. In any such proceeding, a CPA or public accountant, without the consent of her or his client, may testify with respect to any communication between the accountant and the accountant's client or be compelled, pursuant to a subpoena of the department or the board, to testify or produce records, books, or papers. Such a communication disclosed to the board and records of the board relating to the communication shall for all other purposes and proceedings be a privileged communication in all of the courts of Florida.

The proceedings, records, and workpapers of a review committee are privileged and are not subject to discovery, subpoena, or other means of legal process or to introduction into evidence in a civil action or arbitration, administrative proceeding, or state accountancy board proceeding. A member of a review committee or person who was involved in a quality review may not testify in a civil action or arbitration, administrative proceeding, or state accountancy board proceeding as to any matter produced or disclosed during the quality review or as to any findings, recommendations, evaluations, opinions, or other actions of the review committee or any members thereof. Public records and materials prepared for a particular engagement are not privileged merely because they were presented during the quality review. This privilege does not apply to disputes between a review committee and a person subject to a quality review.

473.318 Ownership of Working Papers

All statements, records, schedules, working papers, and memoranda made by a certified public accountant or firm or her or his employee incident to, or in the course of, professional services to a client, except the reports submitted by the certified public accountant or firm to the client and except for records which are part of the client's records, shall be and remain the property of the certified public accountant or firm in the absence of an express agreement between the certified public accountant or firm and the client to the contrary.

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473.319 Contingent Fees

Public accounting services as defined in s.473.302(8)(a) and (c), and those that include tax filings with federal, state, or local government, shall not be offered or rendered for a fee contingent upon the findings or results of such service. This section does not apply to services involving federal, state, or other taxes in which the findings are those of the tax authorities and not those of the certified public accountant or firm. Fees to be fixed by courts or other public authorities, which are of an indeterminate amount at the time a public accounting service is undertaken, shall not be regarded as contingent fees for purposes of this section.

473.3205 Commissions or Referral Fees

A certified public accountant or firm may not accept or pay a commission or referral fee in connection with the sale or referral of public accounting services as defined in s.473.302(8)(a) and (c). Any certified public accountant or firm that is engaged in the practice of public accounting and that accepts a commission for the sale of a product or service to a client must disclose that fact to the client in writing in accordance with rules adopted by the board. However, this section shall not prohibit:

- (1) Payments for the purchase of an accounting practice;
- (2) Retirement payments to individuals formerly engaged in the practice of public accounting or payments to their heirs or estates; or
- (3) Payment of fees to a referring certified public accountant or firm for public accounting services to the successor certified public accountant or firm or the client in connection with an engagement.

473.321 Fictitious Names

- (1) A certified public accountant, partnership, corporation, or limited liability company may not practice public accountancy in this state under any name that is misleading or deceptive as to the legal form; as to persons who are partners, officers, shareholders, or members of the firm; or as to any other matter. However, a firm name may include the names of retired or deceased persons who were active partners, shareholders, or members of the firm.
- (2) This section does not prohibit any certified public accountant or firm from practicing public accounting under a fictitious name that is not misleading or deceptive as to the persons who are partners, officers, shareholders, or members.
- (3) The board shall adopt rules for interpretation of this section.

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473.322 Prohibitions; Penalties

- (1) A person may not knowingly:
 - (a) Practice public accounting unless the person is a certified public accountant or a public accountant;
 - (b) Assume or use the titles or designations “certified public accountant” or “public accountant” or the abbreviation “C.P.A.” or any other title, designation, words, letters, abbreviations, sign, card, or device tending to indicate that the person holds a license to practice public accounting under this chapter or the laws of any other state, territory, or foreign jurisdiction, unless the person holds an active license under this chapter or has the practice privileges pursuant to s.473.3141;
 - (c) Perform or offer to perform any services described in s.473.302(8)(a) unless such person holds an active license under this chapter and is a licensed audit firm, provides such services through a licensed audit firm, or complies with ss.473.3101 and 473.3141. This paragraph does not prohibit the performance by persons other than CPAs of other services involving the use of accounting skills, including the preparation of tax returns and the preparation of financial statements without expression of opinion thereon;
 - (d) Present as her or his own the license of another;
 - (e) Give false or forged evidence to the board or a member thereof;
 - (f) Use or attempt to use a public accounting license that has been suspended, revoked, or placed on inactive or delinquent status;
 - (g) Employ unlicensed persons to practice public accounting; or
 - (h) Conceal information relative to violations of this chapter.
- (2) Any person who violates any provision of this section commits a misdemeanor of the first degree, punishable as provided in s.775.082 or s.775.083.

473.323 Disciplinary Proceedings

- (1) The following acts constitute grounds for which the disciplinary actions in subsection (3) may be taken:
 - (a) Violation of any provision of s.455.227(1) or any other provision of this chapter.
 - (b) Attempting to procure a license to practice public accounting by bribery or fraudulent misrepresentations.
 - (c) Having a license to practice public accounting revoked, suspended, or otherwise acted against, including the denial of li-

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censure, by the licensing authority of another state, territory, or country.

- (d) Being convicted or found guilty of, or entering a plea of nolo contendere to, regardless of adjudication, a crime in any jurisdiction which directly relates to the practice of public accounting or the ability to practice public accounting.
 - (e) Making or filing a report or record that the certified public accountant or firm knows to be false, willfully failing to file a report or record required by state or federal law, willfully impeding or obstructing such filing, or inducing another person to impede or obstruct such filing. Such reports or records include only those that are signed in the capacity of a certified public accountant.
 - (f) Advertising goods or services in a manner that is fraudulent, false, deceptive, or misleading in form or content.
 - (g) Committing an act of fraud or deceit, or of negligence, incompetency, or misconduct, in the practice of public accounting.
 - (h) Violation of any rule adopted pursuant to this chapter or chapter 455.
 - (i) Practicing on a revoked, suspended, inactive, or delinquent license.
 - (j) Suspension or revocation of the right to practice before any state or federal agency.
 - (k) Performance of any fraudulent act in any jurisdiction while holding a license to practice public accounting in this state or using practice privileges in this state.
 - (l) Failing to maintain a good moral character as provided in s.473.308 while applying for licensure, or while licensed in this state or using practice privileges pursuant to s.473.3141.
 - (m) Failing to provide any written disclosure to a client or the public which is required by this chapter or rule of the board.
 - (n) Having the same or equivalent practice privileges of a Florida certified public accountant or firm revoked, suspended, or otherwise acted against by the licensing authority of another state, territory, or country as a result of activity in that jurisdiction which would have subjected the Florida certified public accountant or firm to discipline in this state.
- (2) The board shall specify, by rule, what acts or omissions constitute a violation of subsection (1).
 - (3) When the board finds any certified public accountant or firm guilty of any of the grounds set forth in subsection (1), it may enter an order imposing one or more of the following penalties:

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- (a) Denial of an application for licensure.
 - (b) Revocation or suspension of the certified public accountant or firm's license or practice privileges in this state.
 - (c) Imposition of an administrative fine not to exceed \$5,000 for each count or separate offense.
 - (d) Issuance of a reprimand.
 - (e) Placement of the certified public accountant on probation for a period of time and subject to such conditions as the board may specify, including requiring the certified public accountant to attend continuing education courses or to work under the supervision of another licensee.
 - (f) Restriction of the authorized scope of practice by the certified public accountant.
- (4) The department shall reissue the license of a disciplined licensee upon certification by the board that the disciplined licensee has complied with all of the terms and conditions set forth in the final order.

Frequently Asked Questions

Complaints

The following are some of the frequently asked questions regarding complaints which the BOA has provided answers for on its website at:
<http://www.myfloridalicense.com/dbpr/cpa/faq-complaints.html>.

1. **What kind of information is needed to file a complaint?**
http://www.myfloridalicense.com/dbpr/dbpr/le_portal/dbpr-0070-1.pdf
 - Supporting documentation to support allegations
 - Any court orders
 - Any documents relating to the complaint
 - List of witnesses with contact information
2. **Can I file an anonymous complaint?**
Yes, however, supporting documentation is needed. It is helpful to have a contact name/address/phone number to contact the complainant of the status of the case, but this information is not required.
3. **Where do I locate the complaint form?**
http://www.myfloridalicense.com/dbpr/dbpr/le_portal/dbpr-0070-1.pdf

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4. What is the process of a complaint?

View Flow Chart at <http://www.myfloridalicense.com/dbpr/cpa/documents/SPGVCPA0409092114290.pdf>

After the complaint is received, a copy of the form and supporting documentation is sent to the subject for a written response within 20 days. Depending on the complaint, more information may be requested from both the subject and complainant. After the investigation is complete, the documentation is sent to the Office of General Counsel for review and recommendation to the Probable Cause Panel.

5. When can I expect to receive information regarding the completion of the investigation?

The complainant will be informed when the investigation is completed and the file is forwarded to the Office of General Counsel. Upon review by the Office of General Counsel and the Probable Cause Panel, the complainant will receive written notification of their action.

6. What happens to my complaint after the investigation is complete?

After the investigation is complete, the file is forwarded to the Office of General Counsel for review. The case is also reviewed by the Probable Cause Panel who determines the outcome of the investigation. A CPA can be disciplined, the case can be closed, or the CPA can be issued a letter of guidance or caution.

7. How do I know if a complaint has been filed against my license or firm?

The Board will send out a copy of the complaint and supporting documentation. Upon receipt of the information, the subject will have 20 days to respond in writing to our office.

8. Should I seek an attorney if a complaint has been filed against my license?

An attorney to represent the CPA is not required. The decision to seek representation by an attorney is optional.

9. What happens if Probable Cause is found against me?

The Probable Cause Panel takes into consideration the nature and severity of the violation and public harm. Disciplinary actions can

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include: corrective action, probation, suspension, revocation, limitation of practice, and fines/costs.

10. When are Notices of Non-Compliance issued?

Notices of Non-Compliance are only issued for Florida licensed CPAs and are issued for minor violations. For more information, please refer to Rule 61H1-36.0055 Minor Violation, Notice of Non-Compliance.

<https://www.flrules.org/gateway/readFile.asp?sid=0&tid=2087845&type=1&File=61H1-36.0055.doc>

11. Can CPAs be reported for known criminal activities?

F.S.473.323 (1), (d) -Being convicted or found guilty of, or entering a plea of nolo contendere to, regardless of adjudication, a crime in any jurisdiction which directly relates to the practice of public accounting or the ability to practice public accounting.

Case Study

One of the most common reasons CPAs compromise their ethical values is due to greed. Greed, an excessive desire to possess wealth or goods, can be so overpowering that many times it so overwhelms us that we do things we know are wrong. Most that are driven by greed always seem to somehow find a way to justify their actions, in a way that convinces them that what they are doing is not really unethical.

The following case study is an abbreviated version of what happened to one corporate executive (who chooses to remain anonymous). In his own words, the once successful executive describes how he let greed interfere with his otherwise moralistic manner of doing business. It is his hopes that by sharing this story, he will be able to help others avoid the pitfalls that he encountered. The points that he specifically would like to emphasize have been italicized.

◆ Case Study ◆

How It All Began

"It had been six years into a very prosperous career in the financial services industry and one year into my tenure with a new company. Then it all began one winter night as I drove home from a long day at work. Back then, I was going through some minor financial hardship. I basically had an outstanding debt of approximately \$6,000, which had been weighing heavily on my finances. The year before, my father passed away and I had to support my mother financially. In so doing, I racked up some debt to pay for her living expenses until things came back to normal. I also racked up some sense of frustration over my inability to be financially capable and manage to support my family with more ease. Of note, my salary then was already in the range of \$60K a year, a figure that could've been enough to get me through my debts in due time, but for various reasons, I just couldn't manage on.

As part of my job, I was solely responsible for managing the relationship with several vendors and had discretion over handling invoices and payments to them. These expenses ran in the range of \$50-\$80K a year. Specifically there were two vendors, which as I will explain, both became components of my scheme, without their knowledge that is. Let's call them vendor A and vendor B. Vendor A was responsible for providing research tools and analysis. Vendor B provided all the technology support for vendor A, but I paid them both directly.

Towards the end of the year, vendor B, the technology provider, withdrew from the contract because I had objected to their dramatic raising of fees. Following their departure, and under pressure from me (with no malicious intentions), vendor A hired a technology consultant on full time basis, who was tasked with providing the same services that the old vendor provided. This new arrangement translated into savings of tens of thousands of dollars, as the cost of hiring that consultant was much smaller than paying the old vendor for virtually the same services. Also worth mentioning, the departure of the old vendor and the delegation of their technology support services to the remaining vendor did not become known to my superiors. It just so happened that the new arrangement transpired very quickly.

So back to that one night when I was driving home from the office: In the weeks before I had received notices regarding my outstanding debts and I was stressing about it. So sitting in traffic, listening to the

radio, I had the first glimpse of an idea: Since I saved a lot of money with this new vendor arrangement, what if I could utilize some of those savings; kind of give myself a bonus, to help me get out of debt.

I thought to myself that this would be just an isolated act that did not represent who I was as a person. I justified to myself that tapping into those supposed savings of a few thousand dollars would hardly impact the company financially, given its colossal annual revenues of over a hundred million dollars. I told myself that it would only amount to rewarding myself for my successful negotiations, which had led to the drastic reduction in the cost of vendor services. Most notably, I convinced myself that this would be an exceptional one-time transaction, not a continuous scheme, and was by no means an act of fraud.

Lying to the Mirror

If there's one phase of fraud's psychological continuum you need to watch out for, this beginning phase is it! It's that point before you actually cross the line, but when you begin rationalizing why crossing the line is justified. For me that very moment was on that winter night when I rationalized to myself that stealing money from my employer was not theft but rather a business transaction. Sure enough, almost every embezzlement offense I've read about had traces of that same dynamic: the offender rationalizing that his action was justified, or that it didn't represent who they are or that it was something less deplorable than what it really was—fraud!

As you're reading this, and if you're encountering a similar situation, I recommend that you take an honest look at any wrong actions you've taken or are about to take. Most likely that corrupt choice was justified by a giddy rationale, which conveniently made your self-serving behavior seem acceptable. Believe me, once you cross that line, turning back just gets harder and harder. You have to remember that in my case and prior to that date, I had never done anything remotely close to this.

So if you're thinking to yourself, "the fraud I'm committing does not represent who I am. Really I'm not that kind of a person...," well you better think again. You know the old adage, "stupid is as stupid does"? Well the moment you commit a crime, you ARE a criminal, regardless of whether it's your first offense. Further, believing that you are a decent person—and you may be indeed—does not give you impunity from doing indecent things. Who we are is more a reflection of what we do than who we believe we are.

Sure enough, I considered myself a decent person. I truly did. I based this self-assessment on my dignified views of people and of the world, which lacked rancor or envy. I based it on my lifelong encounters with family, friends and teachers, to whom I always showed respect and tenderness. I based it on the various points of my history where I often opted to do the right thing at the expense of giving up something in return.

But the moment I committed fraud is the moment I ceased to be a decent person. What I did is what mattered; not who I thought I was. Ask yourself this simple question: Is what I'm doing illegal? The answer should be a simple yes or no. No explanation of how decent you [otherwise] are should matter.

Fraud Triangle

I did not linger at the question. I slipped right through it with my faulty reasoning, fueled by a need for money. I worked out my plan as follows: I would establish a new corporation that bore a similar name to vendor B, who no longer provided us services but their departure was unknown to my superiors. Using fictitious invoices that looked exactly like the ones vendor B used to send us, I would create invoices for work that was no longer done by that vendor but that was being provided by the other vendor, who I legitimately paid separately. I would submit those invoices to Accounting and would request to pick up the checks personally under the excuse that I needed to overnight them myself to ensure proper delivery. I would then deposit the checks into a bank account that I would establish for that new shell company.

Once I paid off the debt, I would stop. Further, I vowed to myself that as soon as my financial situation improved, I would pay back the money by making a direct payment to the remaining vendor out of my pocket in the same amount that I tapped into.

Once again I point to the conniving nature of "rationalization," which is the cornerstone of all embezzlement offenses. Criminologists call it the Fraud Triangle: Existence of Pressure (financial need) and presence of Opportunity (money,) followed by Rationalization that the wrong behavior is justified by valid reasons. For the weak of will, these factors combined could give birth to fraud, especially in the absence of a strong moral code. And in my case, they did.

No Turning Back

So it was, I established a corporation that bore a similar name to vendor B. I then opened a bank account for that corporation. I turned in my first invoice for the amount of \$8,500 using the template from the original vendor that was emailed to me. I requested it that accounting provides me the check personally. I picked up the check and deposited into the bank, where I had been a regular client, and the slight difference between the name of on my account and the name to whom the check was payable went unnoticed. The first transaction went smoothly. I transferred the money from my business account to my personal account and paid off the debt in its entirety. I planned to close the business account the next day and dissolve the shell company.

A day later, I had not done that. I was very busy with work and just decided to put it off for another week or so. A week later I still had not done that. A month later I still had not done that. A couple of months later I needed money again and I repeated the process, albeit for a much smaller amount. After that, I just couldn't stop. Over the course of two years, I had generated over a dozen invoices and received an equal number of checks for what eventually amounted to nearly one hundred thousand dollars.

So how did I make the leap from a one-time transaction to an ongoing process? As pitiful as any explanation may sound, the merits of the additional income simply blinded me. The monetary reward made my initial flawed justification all the more believable. I wasn't committing fraud; I was just tapping into the savings that I managed to yield! The depths of my action (betraying my employer) and the possible repercussions (legal and professional) all languished in the background, overshadowed by the handsome financial rewards and suppressed by the seemingly acceptable rationalization (I wasn't hurting the company financially!)

Intentions Don't Count

Criminologists also describe another dynamic in the mindset of the embezzler, something called "wages in kind." This occurs when the embezzler believes he's entitled to the assets he's stealing. There's the famous tale about the bookkeeper who was denied a \$100 monthly raise. Over the next 10 years, he embezzled a total of \$12,000 in the form of \$100 a month of fraudulent payments to himself, the same raise amount he had asked for!

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In my case, I did not have any such entitlement claims. On the contrary, during the couple of years following the beginning of the scheme, my prominence in the company was rising exponentially. I had built a name for myself in the industry as a research analyst and generated a lot of publicity for the company through my various research papers. I won employee recognition awards, I was allowed to hire more staff and I basically had a very rewarding job in more ways than one. In all honesty, I truly was passionate about the company and my work, and was known around the company for my uplifting demeanor and my positive attitude. I sincerely cared about the success and future of the company.

Paradoxically enough, having this genuine heartfelt admiration for the organization made me all the less guilt-ridden about what I did behind their back. It somehow alleviated the awfulness of my actions. The incongruity of my rationale reminds me now of an episode of Sex and The City, where a female character walks in on her boyfriend having sex with another woman. The man caught red handed looks at her and says "This is just sex, but I love YOU!"

Equally delusional, I convinced myself at the time that cheating on the company was not necessarily deplorable, since I truly cared for them! But now that I look back at those years, I realize that I did hold some of those unfounded "wage in kind" views. To the extent that I believed I was making a lot of money for the company and truly cared for their wellbeing, I rationalized that diverting some additional income to myself was not entirely unconscionable. Oh how we fool ourselves!

As you're reading this, and if you're encountering a similar situation, once again I ask you to honestly examine the nature of your action. If you believe you're entitled to some additional privilege from your employer, that's understandable. But know this: when in the midst of fraud, one often looks for and finds easy ways to justify his actions. With me, it started with the rationale that I was capitalizing on some savings I had earned for the company. Then I rationalized that the company's financial state was so strong that my theft would not impact it. Then I believed that my genuine passion for the company neutralized the fact that I stole from them. The point is that you'll never run out of frivolous reasons to justify your actions. What I advise you to do is to admit to yourself that no one reason justifies stealing from your employer (or anyone else for that matter.) If that's not enough to stop you, then think of the hefty price you'll pay in the end compared to the forgone privileges to which you believe you're entitled. For me, I'm going to prison very soon; a hefty price indeed!

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Above all, remember that your biggest enemy is yourself. Look at the outrageous excuses I used to justify my behavior (I made them money and so a little theft is okay!) I think I just wanted to believe any excuses, as senseless as they were, so that I can subside the guilt I was feeling. And this was my biggest lie: I believed that I believed my lies! The truth is, in all of this, the person I deceived the most was not my employer; it was me.

So stop lying to yourself and face the truth. There is a reason [individuals] with substance abuse problems begin their therapy by first admitting that they ARE substance abusers. Acknowledging your wrongdoing is the first and most critical step to end the fraud. Without it, your lies will just get bigger and your chances of stopping will get smaller.

Fear Subsided

Now you have to wonder though: guilt aside, do embezzlers fear getting caught? Did I? Would you?

For me, the answer is yes, I did, well at least in the beginning. But with time, this act seeped into my life that it became simply an accepted fact of my existence. I was so blinded to reality by the hypnotizing effect of money that I completely discarded any attempts to confront the fearful repercussions of my actions. As idiotic as it may sound, I got to a point where I almost forgot about the scheme, I just did it! Do I sound fearless to you? Think again. It wasn't the lack of fear that blinded me; it was the greed, the money, and most of all, the denial. I avoided facing reality by digging my head in the sand pretending that if I didn't see the problem it would just cease to exist.

There's a famous fraud story about this CFO who had sole control over the accounting systems at a mid-size bank. One day he tapped into some funds in one account and managed to conceal it through making fake reverse entries in another account. He did this for a few years completely undetected and amassed over \$150,000 in illegal funds. Then one day, a customer made a double payment to the bank. The redundant check was forwarded to the CFO for processing. Get this, after sitting at his desk untouched for a week, the CFO finally took the check, endorsed it to himself and deposited it directly into his account! When the customer got the returned check and realized the foul play, he called the company and eventually an outside audit uncovered the entire scheme.

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So why do you think the CFO went as far as to make such an incriminating move signing his own name on a client's check? Was he fearless?

Absolutely not! Like me, his greed grew over time to the point that he became incapable of reasoning. Hardly an excuse for his illegal actions, or mine for that matter, but the point I'm driving home is that after a while, you're bound to lose sight of reality. If you thought it was hard to control your actions in the initial stages, wait until you get farther along. Greed overpowers fear, especially when you grow accustomed to the financial rewards. So be wary, if you're already in the midst of committing fraud, it's NOT too late to stop. If you use the rationale of "I'm too far along in this mess to stop now," you're wrong. It will only get worse from here, both in legal terms and in the sense of your ability to stop. And if you think your lack of fear is a sign of your infallibility, you're wrong again. The absence of anxiety is rather a sign that you're so enmeshed in your foolish behavior that its severity doesn't faze you anymore. Sooner or later, your foolish behavior will catch up to you, as it did to me.

Reality Hits

Nearly two years into my scheme, someone in accounting noticed a discrepancy in two of the fictitious invoices I had submitted. In less than two days, a simple audit managed to uncover the entire scheme. One Monday morning in the office, I was confronted with the findings and I admitted my crime and provided full details about the nature of the scheme. I was fired on the spot and was told to expect legal action against me. Here's the horrifying part, and I'm being truthful when I tell you this: When they confronted me about the scheme, and for a split second, I couldn't tell if I had truly done this or if I had just once thought about doing it! I know it sounds silly, perhaps even pathetic. But this is another of greed's many tricks: it gives birth to other traits. In my case, one of those traits was none other than "denial." So it was that when I got into my car and drove home, I had only one thought in mind: Suicide. I couldn't face what I had done. I couldn't face what awaited me!

When denial is reversed, all you're left with is a big shock. And in my shock, I could think of no other way to avoid the shame awaiting me except by not being there to face it. Worse yet, I just couldn't stand myself; I resented every last breath of my existence. In a way, I really wanted to punish myself!

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To spare you the morbid details, my suicide attempt was not successful. I slit my wrists multiple times and swallowed 90 pills of a sleeping aid, but ended up losing consciousness for 36 hours and losing little blood. When I woke up in a daze, not sure if I were dead or alive, I immediately called my fiancé and my brother, who came to my aid. I only lived because I missed the veins.

After recovering from that initial shock, I came to my senses and realized what had really happened. I retained the services of an attorney and attempted to reach a civil compromise where I'd pay back the money, which I had already spent over the course of two years.

The more I regained sight of reality, the more I realized how bleak that reality was. But I knew that despite whatever state of denial I was under in the past two years, my actions were real and I had to take responsibility for them. I waited, and two weeks later, I was arrested at my home.

The Aftermath

I'm now out on bail, awaiting my sentencing. I expect to begin my incarceration very soon. Due to the nature of my role, I have also been barred from the securities industry for life. Predictably, I'm liable for all the funds I embezzled and will be ordered to pay them in full (I already voluntarily began paying back some of the money with the help of my family.) In addition, the legal fees I've incurred in the process already amount to nearly what I stole. But this is nothing compared to the intangible damage I've caused. The news of the whole incident was made public and virtually everyone who had any association with my employer, my colleagues included, became fully aware of the whole ordeal. Shame and a tarnished reputation will haunt me forever. In committing my act, I have betrayed so many people who trusted me; a breach of trust of which I'm reminded every other day in my nightmares. I've disappointed those who believed in me, and gave them reasons not to ever believe again. Worse yet, I've disappointed my family, especially my mother, who despite the support she gave me during my crisis, her disappointed eyes can't help but tell the truth.

You know, some mistakes are reversible and some damage is repairable. But with tales of betrayal, much like the cheating boyfriend story I mentioned earlier, there is little you can do to alleviate the harm you caused to others and to yourself, especially the legal consequences. All that's left to do is to turn this saga into an experience that makes a

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better person out of you; not a worse one. But believe me, you're much better off not having to go through it in the first place.

The Right Choice

So in my final words to you, I'll say this: laws exist not just because someone imposed them upon us; they exist because they're right! They validate human concepts, which even without the existence of [those laws], are still sensible. Stealing money that doesn't belong to you is the wrong thing to do, even if law didn't prohibit it.

But there IS a law that prohibits it, and when you break that law, there are dreadful repercussions waiting for you. Those repercussions, including going to jail, are life-altering and their damage will haunt you for the rest of your life. The ramifications of your actions will not only affect you but will also hurt your family and loved ones. Greed and denial will make you lose sight of those consequences or even ignore them. Don't let them blind you. Instead, do the right thing: Stop the fraud now or just don't start it. You have the choice. Believe me, I'd do anything to go back in time and make that right choice. But I can't, so instead, I hope to help others do so.

I wish you the best of luck doing the right thing and staying out of trouble!"

Someone Who's Been There

Once I read the above story, I had some additional questions which the gentleman who wrote the above story kindly agreed to answer. The following are a few of the questions I asked:

Question: What, if anything, do you think could have been done by those around you which may have prevented you from embezzling the funds?

Answer: I think if someone were to bring to my attention a similar story like the one I'm now sharing with the public, it would have likely brought me to my senses and made me see what I was doing for what it REALLY was. One of the problems is that embezzlers often unconsciously alter their perception of reality in a way that effectively subsidizes their guilt and quells their fear. But a reality check in the form of hearing or reading

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about someone else's horrid tale is bound to bring them out of that self-induced hypnosis and make them stop. Further, I think it has an even higher chance of deterring them from embarking on the fraud in the first place.

Question: If you hadn't been caught, do you think you would have stopped by yourself?

Answer: Yes, I think I would have.

Question: Without implicating anyone else, did you tell anyone and if so, what was their reaction?

Answer: No, nor did I feel the urge to. I used to tell friends that I do some consulting on the side; and after a while I sort of believed I did!

Question: Did the idea of "getting away with it" excite you or was it all for the money?

Answer: I never thought about getting caught. My view of the whole situation conveniently ended at the part where money entered my bank account. But I can tell you for sure that I did not get any kicks out of doing it either. I loathed turning in the fake invoices and dreaded even more going to bank to deposit the checks. My research on the topic, however, tells me that some people do enjoy the "drill." I wasn't one of them.

Question: If you were to start your own company, what would be the most important types of controls that you would put into place to prevent someone from embezzling from you?

Answer: Besides, the obviously recommended ones (separate duties, monitor aberrant behavior, check backgrounds, audit regularly), I would definitely raise awareness amongst my employees of the topic of embezzlement. I think directing them to services like my campaign, as well as others, will help serve as some form of a deterrence, in the least because they'll know that the owner is not oblivious to the issue.

"If only there were evil people somewhere insidiously committing evil deeds and it were necessary only to separate them from the rest of us and destroy them. But the line dividing good and evil cuts through the heart of every human being."

Alexander Solzhenitsyn, in *The Gulag Archipelago*

Division 61H, Division of Certified Public Accounting

Chapter 61H1-19 Purpose, Organization, Rulemaking Proceedings, Etc.

61H1-19.006 Attendance at Board Meetings, Unexcused Absences

Board members must attend all regularly scheduled Board meetings unless prevented from doing so by reason of the illness of the Board member or a member of the Board member's family, death of a member of the Board member's immediate family, or natural disaster. No Board member may be absent from three consecutive regularly scheduled Board meetings unless the absence is excused for one of the reasons stated above.

61H1-19.007 Probable Cause Panel

The determination whether probable cause exists to believe that a violation of any of the provisions of Chapters 455 and 473, F.S., or the rules promulgated pursuant thereto has occurred, shall be made by a majority vote of a probable cause panel of the Board.

61H1-19.008 Committees

The Board may appoint such advisory committees as it deems necessary to effectively administer, implement and carry out the provisions of Chapters 455 and 473, F.S., and the rules promulgated pursuant thereto.

61H1-19.010 Criteria for Investigators and Consultants

Except for investigation of non-technical matters, all investigators and consultants hired by the Department who undertake the investigation of CPAs shall be active Florida CPAs with a minimum of five (5) years of active licensure in the area of public accountancy.

Chapter 61H1-21 Independence, Integrity, Etc.

61H1-21.001 Independence

A firm shall not express an opinion on financial statements (as that term is defined in the Standards for Independence) of an enterprise or on the reliability of an assertion by one party for use by another (third) party unless the firm is actively licensed and independent with respect to such enterprise or the party making the assertion. A licensed firm is also precluded from expressing such an opinion if the firm is aware that an individual in the firm is not independent and that individual is a covered certified public accountant or is otherwise required to be independent. A certified public accountant shall not express such an opinion unless the

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certified public accountant is independent with respect to such enterprise or the party making the assertion. A certified public accountant is also precluded from expressing such an opinion if he or she is aware that an individual in the firm is not independent and that individual is a covered certified public accountant or is otherwise required to be independent. All covered CPAs and all other individuals who are required to be independent are required to disclose to the firm that they are not independent prior to the issuance of such an opinion; failure to do so is a violation of this rule. All firms are required to adopt appropriate policies to implement the disclosure requirement and to monitor compliance therewith.

In order to delineate the standards against which a CPA's independence or lack thereof is to be judged, the Board has created a document entitled "Standards for Determining Independence in the Practice of Public Accountancy for CPAs Practicing Public Accountancy in the State of Florida" (effective 12-31-2004), which can be found at:

http://ahca.myflorida.com/Medicaid/statewide_mc/pdf/Standard_for_Determining_Independence.pdf.

61H1-21.002 Integrity and Objectivity

A CPA shall not knowingly misrepresent facts, and, when engaged in the practice of public accounting, shall not subordinate his/her judgment to others including but not limited to clients, employers or other third parties. In tax practice, a certified public accountant may resolve doubt in favor of his/her client as long as there is reasonable support for his/her position.

61H1-21.003 Commissions or Referral Fees

- (1) A certified public accountant shall not pay or accept a commission or referral fee in connection with the sale of a product or referral of any services as defined in Section 473.302(8)(a) and (c), F.S., or prohibited to non-certified public accountants as listed in Section 473.322, F.S. These services include:
 - (a) Audit, review or compilation services.
 - (b) Services for any prospective financial data including forecasts or projections.
 - (c) Any special procedures engagement resulting in an expression of an opinion when the services fall within the definitions as set forth in Section 473.302(8)(a) and (c) and Section 473.322, F.S.
- (2) The certified public accountant must have an engagement letter signed by the client prior to beginning any engagement for which

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the certified public accountant will receive a commission. The letter must include complete details of the financial arrangements involving compensation for the services rendered.

- (3) The certified public accountant must hold appropriate licenses as required.
- (4) If the certified public accountant is not independent as described in Rule 61H1-21.001, F.A.C., it must be disclosed in the engagement letter. However, if the only reason for not being independent is the fact that the certified public accountant is being compensated by a commission or contingent fee, then the lack of independence does not have to be disclosed.

61H1-21.005 Contingent Fees

- (1) No certified public accountant or firm shall accept a fee contingent upon the findings or results of such services if the service is of the type for which a commission or referral fee could not be accepted (See Rule 61H1-21.003, F.A.C.).
- (2) No certified public accountant or firm shall accept a contingent fee for tax filings with the federal, state, or local government unless the findings are those of the tax authorities and not those of the certified public accountant or firm. Unless the certified public accountant or firm has specific reason to know that the filing will be reviewed in detail by the taxing authorities, the findings will be presumed to be those of the certified public accountant or firm and a contingent fee is not permissible. An original or amended federal tax return or a claim for refund cannot be prepared for a contingent fee since the findings are not considered to be those of the taxing authority. If the taxing authority has begun an audit, any findings will be considered those of the taxing authority and a contingent fee may be accepted. Fees to be fixed by courts or other public authorities, which are of an indeterminate amount at the time a public accounting service is undertaken, shall not be regarded as contingent fees for the purposes of this rule. However, a certified public accountant's or firm's fee may vary depending, for example, on the complexity of the service rendered.

61H1-21.006 Communication with Client of another Certified Public Accountant

If a client of one certified public accountant or firm requests a second certified public accountant or firm to provide professional advice on accounting or auditing matters in connection with an expression of opinion,

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the second certified public accountant or firm must consult with the first certified public accountant or firm, after obtaining the client's consent, to make certain that the second certified public accountant or firm is aware of all the relevant facts.

Chapter 61H1-22 Competence and Technical Standards

61H1-22.001 Competence (General Standards)

A certified public accountant shall comply with the following general standards and must justify any departures therefrom:

- (1) Professional competence. A certified public accountant shall undertake only those engagements which he or his firm can reasonably expect to complete with professional competence. A certified public accountant must be in charge of all public accounting services performed by the firm.
- (2) Due professional care. A certified public accountant shall exercise due professional care in the performance of an engagement.
- (3) Planning and supervision. A certified public accountant shall adequately plan and supervise an engagement.
- (4) Sufficient relevant data. A certified public accountant shall obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to an engagement.

Chapter 61H1-23 Responsibilities to Clients

61H1-23.001 Confidential Client Information

A certified public accountant shall not disclose any confidential information obtained in the course of a professional engagement except with the consent of the client. This rule shall not be construed to relieve a certified public accountant of his or her obligation under Rules 61H1-22.008 and 61H1-22.007, F.A.C., or to contravene or contradict any of the provisions of Chapter 473, F.S. Furthermore, this rule shall not prohibit a confidential review of a certified public accountant's professional practice as a part of a quality review program.

61H1-23.002 Records Disposition Responsibility

- (1) A certified public accountant shall furnish to a client or former client within a reasonable time after request of the document the following if they are in the certified public accountant's possession or control at the time of the request: Any accounting or other records belonging to the client which the certified public accountant may have had occasion to remove from client's premises, or to receive for the client's account, including records prepared as part of the

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service to the client which would be needed to reconcile to the financial statements or tax return prepared and issued by the certified public accountant. If the tax return or financial statement has not been issued, the certified public accountant must only return records received from the client, but this shall not preclude the certified public accountant from making copies of such documents when same form the basis of work done by the certified public accountant.

- (2) This rule shall not preclude a certified public accountant from making reasonable charges for costs incurred. A certified public accountant shall not withhold those items contemplated above under any circumstances following a demand for same from the client.
- (3) Provisions of this rule apply to Licensed Audit Firms and to all CPAs practicing public accounting.

Chapter 61H1-24 Advertising

61H1-24.001 Advertising

- (1) No certified public accountant shall disseminate or cause the dissemination of any advertisement or advertising which is in any way fraudulent, false, deceptive, or misleading, if it, among other things:
 - (a) Contains a misrepresentation of facts; or
 - (b) Makes only a partial disclosure of relevant facts; or
 - (c) Creates false or unjustified expectations of beneficial assistance; or
 - (d) Appeals primarily to a layperson's fears, ignorance, or anxieties regarding his state of financial well-being; or
 - (e) Contains any representation or claims, as to which the certified public accountant, referred to in the advertising, does not expect to perform; or
 - (f) Contains any other representation, statement, or claim which misleads or deceives; or
 - (g) In the event that a certified public accountant uses the term "specialty" or "specialist" or any other term tending to indicate an advanced standing in any aspect of the practice of public accountancy, in any advertisement or offering to the public, the advertisement must state that the use of the term is a self-designation and is not sanctioned by the state or federal government. This requirement shall not apply to any statement in-

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dicating the certified public accountant has received any bona fide formal recognition or attainment; or

- (h) 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

(2) “Advertising” shall mean:

- (a) Any statements, oral or written, disseminated to or before the public or any portion thereof, with the intent of furthering the purpose, either directly or indirectly, of selling public accounting services, or offering to perform public accounting services, or including members of the public to enter into any obligation relating to such public accounting services. For purposes of this rule, oral or written statements include:

1. Business cards;
2. Letterhead;
3. Signs;
4. Listings in telephone and other media or communication directories;
5. Display of certificate or license from this or any other state;
6. Business reports;
7. Transmittal letters or other written communication issued or associated with accompanying financial statements;
8. Brochures;
9. Forms filed with state and federal regulatory agencies;
10. Press releases;
11. Paid promotional listing in any media;
12. Display of membership in CPA associations;
13. Listings in professional directories;
14. Presentation during court proceedings;
15. Website, e-mail, or any other electronic communication.

- (b) “Advertisement,” “advertising” and “advertising as a part of a certified public accountant’s business activities” as defined terms by this rule does not include:

1. Verbal statements in a social context,
2. Use of the designation by faculty members in an educational institution when functioning in the capacity of a faculty member, and

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3. Use of the designation by authors when used only for identification as authors of books, articles or other publications, provided that such publications, do not offer the performance of services or the sale of products (other than books, articles or other publications).

61H1-24.002 Solicitation

- (1) A certified public accountant may respond to any request for a proposal to provide public accounting services and may provide such services to those requesting same.
- (2) A certified public accountant may solicit an engagement to perform public accounting services provided the certified public accountant complies with Rule 61H1-24.001, F.A.C., and provided the certified public accountant does not use coercion, duress, compulsion, intimidation, threats, or conduct that is overreaching, or vexatious or harassing.
- (3) Any form of written communication to a potential client, invited or not, is permissible under this rule provided such communication conforms to the advertising guidelines of Rule 61H1-24.001.

Chapter 61H1-25 Responsibility for Other Persons

61H1-25.001 Responsibility for Other Persons

A certified public accountant shall not permit others to carry out on his/her behalf, either with or without compensation, acts which, if carried out by the certified public accountant would place him/her in violation of Chapters 455 and 473, F.S., or rules promulgated thereto.

Chapter 61H1-26 Names, Terms, Branch Offices

61H1-26.001 Form of Practice and Name-Shared Office Space

- (1) A Florida certified public accountant may practice public accounting, whether as an owner or employee, only in the form of a proprietorship, a partnership or a corporation, or a limited liability company. A Florida certified public accountant shall not allow any person to practice in his name that is not a partner or shareholder with him or in his employ. A Florida certified public accountant shall not practice under a name which is misleading or deceptive as to the legal form of the firm or as to persons who are partners, or shareholders of the firm or as to any other matter. In this regard:
 - (a) A Florida certified public accountant may practice public accounting under a fictitious name which is not misleading or

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deceptive as to the persons who are sole proprietors, partners, or shareholders; and

- (b) A firm name may include the names of retired or deceased partners or shareholders or members who were active partners or shareholders or members of the entity. This provision permits a firm, in the same line of succession, to change from one form of business to another and continue to use the names of retired or deceased partners, shareholders or members.
 - (c) Use of the term “and Company” or “and Associates” requires at least one other fully employed Florida certified public accountant or noncertified public accountant owner other than those named in the firm name; however, this rule does not preclude a Florida certified public accountant initially meeting this requirement from using the above-mentioned terms if the Florida certified public accountant subsequently does not fully employ at least one Florida certified public accountant other than those named in the firm name.
 - (d) A firm may use the term “Certified Public Accountants” in the firm’s name if all owners are CPAs. If there are non-certified public accountant owners, the firm may use the terms “CPA Firm” “CPAs and Associates” or “Certified Public Accountants and Associates” provided the firm has more than one certified public accountant. Further, a certified public accountant firm with non-certified public accountant owners may not use the term Certified Public Accountants without indicating there are other owners such as Associates or Consultants.
- (2) 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) Florida certified public accountants may share office facilities provided there is adequate disclosure that would enable a reasonable person to determine the practice is not associated with the profession or occupation not regulated by the Board, such as written agreements, signs, etc.

61H1-26.002 Minimum Capitalization or Adequate Public Liability Insurance for Florida Firms with the Exception of a Sole Proprietorship

A Florida firm, with the exception of a sole proprietorship, shall not engage in the practice of public accounting in this state unless:

- (1) Assets in excess of liabilities and professional liability insurance combined are at least equal to \$50,000 per shareholder, officer,

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member, or partner and any Florida licensed certified public accountant to a maximum of \$2,000,000 or

- (2) It has an irrevocable letter of credit of at least equal to \$50,000 per shareholder, officer, member, or partner and any Florida licensed certified public accountant to a maximum of \$2,000,000, which meets the following criteria:
 - (a) The responsibility for repayment of any sums disbursed under the letter of credit is not an obligation of the Florida firm, its owners, or any entity affiliated with the Florida firm;
 - (b) The letter of credit contains an “evergreen clause,” which automatically renews the letter of credit unless the issuer of the letter of credit notifies the Florida firm and the Board within sixty (60) days of the decision not to renew; and
 - (c) The letter of credit is issued by a financial institution authorized to do so under applicable state or federal banking laws; or
- (3) The corporation, each shareholder, and each officer who has authority over the practice of public accountancy, the LLC or the limited liability company and each member of the LLC, or the LLP and each partner have executed the waiver of limitation on liability approved by the Board which must be set forth as follows:

WAIVER ON LIMITATION OF LIABILITY

The shareholders, officers, members, or partners of ____ (Name of Firm), do jointly and severally covenant and agree that they will pay any award or judgment arising out of any claim the basis of which is grounded upon an allegation of negligence, incompetence, misconduct, fraud or deceit in the firm’s or its owners’, officers’, members’, or employees’ practice of public accounting as soon as the same shall become payable regardless of any limitation on liability provided by Chapter 621 and Chapter 608, and Chapter 620, F.S. (2009).

Unless executed by a partnership and its partners, the members intend this agreement as a mutual covenant of assumption and not as a partnership, but should any court of competent jurisdiction construe same to be a partnership then it is the intention of the parties that such partnership be limited in scope to the uses for which this contract is executed and no other.

Any individual who, subsequent to the date of this instrument, becomes a shareholder, officer, member, or partner in _____ (Name of Firm), shall immediately become a party to this waiver and be bound to the conditions thereof. Said shareholder, officer, member, or partner shall execute an

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amended Waiver on Limitation of Liability which shall become a part of the original Waiver on Limitation of Liability.

We the undersigned shareholders, officers, members, or partners in _____ (Name of Firm), do hereunto set our hands and seals to certify our acceptance of the Waiver on Limitation of Liability dated this _____ day of _____, 20____.

(Signatures of all shareholders, officers, members, or partners)

61H1-26.003 Licensure of Florida Certified Public Accountant Firms

Every Florida firm and non-Florida firm required to be licensed pursuant to Section 473.3101(1)(a), F.S., shall be certified for licensure by the Board on a biennial basis, and shall furnish its firm name, addresses and telephone numbers of main office as well as the names of all licensed professional staff and all non-licensed owners. Said firms must also disclose whether any non-certified public accountant owners have convictions or findings of guilt, regardless of adjudication, of a crime in any jurisdiction and judgment or settlements of civil lawsuits, or having been acted against including denial of licensure by any regulatory agency by a court or regulatory agency and any other matters which show a lack of good moral character. (good moral character is defined in Section 473.308(6)(a), F.S.).

61H1-26.004 Changes by Firms

- (1) A firm licensed pursuant to Rule 61H1-26.003, F.A.C., shall file a written notification with the Department within thirty (30) days after the occurrence of any of the following events:
 - (a) The admission or addition of a non-CPA co-partner, shareholder or member in any Florida office, including whether any non-CPA co-partners, shareholders or members have convictions or findings of guilt, regardless of adjudication, of a crime in any jurisdiction; judgment or settlements or civil lawsuits; having been acted against, including denial of licensure, by any regulatory agency or by a court; and any other matters

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which show a lack of good moral character as defined in Section 473.308(6)(a), F.S.;

- (b) The admission or addition of a CPA co-partner, shareholder or member in any Florida office, including whether any CPA co-partners, shareholders or members have convictions or findings of guilt, regardless of adjudication, of a crime in any jurisdiction; judgment or settlements of civil lawsuits (excluding domestic matters); having the right to practice acted against, including denial of licensure, by the Securities Exchange Commission (SEC), Internal Revenue Service (IRS), or any other regulatory agency or court; and any other matters which show a lack of good moral character as defined in Section 473.308(6)(a), F.S.;
 - (c) The retirement or death of a co-partner, shareholder or member in any Florida office;
 - (d) A change in the name of the partnership, corporation or limited liability company;
 - (e) The termination of the partnership, corporation or limited liability company.
 - (f) When the firm or any existing CPA or Non-CPA co-partner, shareholder or member has been the recipient of a conviction or finding of guilt, regardless of adjudication, of a crime in any jurisdiction; has been the subject of a judgment or settlements of a civil lawsuit (excluding domestic matters); has had the right to practice public accountancy acted against, including denial of licensure, by the Securities Exchange Commission (SEC), Internal Revenue Service (IRS), or any other regulatory agency or court; and any other matters which show a lack of good moral character as defined in Section 473.308(6)(a), F.S.
- (2) In the event of the formation of a new sole proprietorship, partnership, corporation or limited liability company or a change in the name of a sole proprietorship, partnership, corporation or limited liability company, such sole proprietorship, partnership, corporation or limited liability company shall, within thirty (30) days of the event, become certified for licensure by the Board in accordance with Rule 61H1-26.003, F.A.C., and pay the license fee required by Rule 61H1-31.010, F.A.C.

61H1-26.005 Address of Record

- (1) All Florida CPAs are required to have their correct street address on file with the Board office as their address of record. A post of-

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face box may be used for a mailing address, but it must be in addition to the address of record.

- (2) Any time a Florida certified public accountant changes his/her address of record or mailing address, he/she must notify the Board office in writing within thirty days.

Chapter 61H1-27 Educational and Experience Requirements

61H1-27.001 College or University Requirements

- (1) An accredited college or university within the meaning of Section 473.306, F.S., is a four-year degree granting college or university in the State University System or other four-year degree granting educational institution accredited at the time applicant's degree was received by virtue of membership in one of the following regional accrediting agencies so listed:
 - (a) Middle States Association of Colleges and Secondary Schools;
 - (b) New England Association of Schools and Colleges;
 - (c) North Central Association of Colleges and Secondary Schools;
 - (d) Northwest Commission on Colleges and Universities;
 - (e) Southern Association of Colleges and Schools;
 - (f) Western Association of Schools and Colleges;
 - (g) Association of Independent Colleges and Schools. After August 2, 1992 the Association of Independent Colleges and Schools (AICS) will no longer be deemed an acceptable accrediting agency, unless the college or school accredited by the AICS is regulated by the Commission for Independent Education and exempted from licensure by the CIE under the provisions of Section 246.085, F.S.
 - (h) Canadian, Mexican, Irish, Australian, New Zealand, and Hong Kong academic accounting programs approved by the provincial education bodies or the equivalent educational accreditation body for that country.
- (2) A listing of accredited colleges and universities as recognized by the Board is contained in the "Accredited Institutions of Post-secondary Education"; published by the American Council on Education for the Council on Post-secondary Accreditation as published for the time period the candidate attended the institutions. However, an applicant whose degree was received from a non-accredited college or university may qualify under the provisions of subsection (3).
- (3) If an institution was not accredited at the time an applicant's degree was received but was so accredited at the time his application

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was filed with the Board, the institution will be deemed to be accredited for the purpose of subsections (1) and (2) provided it:

- (a) Certifies that the applicant's total educational program would qualify him for graduation with a baccalaureate degree during the time the institution has been accredited, and
 - (b) Furnishes the Board satisfactory proof, including college catalogue course numbers and descriptions, that the preaccrediting courses used to qualify applicant as an accounting major can be matched with substantially equivalent postaccrediting courses.
- (4) If an applicant's degree was received at an accredited college or university as defined in subsections 61H1-27.001(2) and 61H1-27.001(3), F.A.C., but the educational program used to qualify him as an accounting major included courses taken at either two-year or four-year nonaccredited institutions either before or after graduation, such courses will be deemed to have been taken at the accredited institution from which applicant's degree was received provided it either has accepted by virtue of inclusion in an official transcript, or will accept by certification to the Board, such courses for credit toward graduation.
- (5) (a) A graduate of a four-year degree granting institution not accredited at the time the applicant's degree was received or at the time of filing application will be deemed to be a graduate of a four-year accredited college or university course provided an accredited college or university as defined by subsections 61H1-27.001(1) and (2), F.A.C., accepts applicant's non-accredited baccalaureate degree for admission to a graduate business degree program; the applicant satisfactorily completes at least 15 semester or 22 quarter hours, or the equivalent, in post-baccalaureate education at the accredited institution of which at least 9 semester or 13 quarter hours, including at least 3 semester or 4 quarter hours in taxation; or the equivalent, shall be in accounting; and the accredited college or university verifies that the applicant is in good standing for continuation in the graduate program (or has maintained a grade point average in these courses that is necessary for graduation). Elementary accounting subjects, or courses equivalent to elementary accounting, cannot be used to satisfy the requirements of this rule. Elementary accounting subjects include principles of financial and managerial accounting courses even if they are covered in a three-course sequence, are titled "introductory,"

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“fundamentals,” or “principles,” and even if they are offered at the graduate level.

- (b) A graduate seeking approval under this subsection shall provide at his own expense to the Board, a complete course by course evaluation of any foreign transcripts by an evaluation service as approved by the Board.

61H1-27.002 Concentrations in Accounting and Business

- (1) For purposes of Section 473.306, F.S., if application for the Uniform CPA Examination was made prior to August 2, 1983, an applicant must have a baccalaureate degree from an accredited college or university with a major in accounting, or its equivalent, with a concentration in accounting and business subjects. A concentration in accounting and business is defined as an educational program that includes at least 18 semester hours or 27 quarter hours, or the equivalent, in accounting education above elementary (principles of) accounting and 27 semester or 40 quarter hours, or the equivalent, in general business education. In order to meet the provisions of Section 473.306, F.S., the application must have been filed, completed and approved and show on its face that all educational and other requirements were met prior to August 2, 1983.
- (2) For purposes of Section 473.308, F.S., if application for licensure is made after August 1, 1983, an applicant must have at least 150 semester hours or 200 quarter hours of college education, including a baccalaureate degree or higher conferred by an accredited college or university with a major in accounting, or its equivalent. The applicant's total education program shall include a concentration in accounting and business as follows:
 - (a) 36 semester or 54 quarter hours in accounting education at the upper division level which shall include coverage of auditing, cost and managerial accounting, financial accounting, accounting information systems, and taxation. Not more than 3 semester or 4 quarter hours may be internship programs which may be applied to the 36 semester or 54 quarter hours in accounting (internship courses must be taken in conjunction with other traditional coursework at an institution and must appear on the transcript). Further, any remaining internship credit if otherwise acceptable would be applied to the general business requirement, and
 - (b) 39 semester or 58 quarter hours in general business education which shall include not less than the equivalent of 6 semester

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or 8 quarter hours in business law courses which shall include coverage of the uniform commercial code, contracts and torts. Vocational and clerical type courses will not count either toward the accounting requirement set forth in subsection 61H1-27.002(2), F.A.C., or this general business education requirement. Specialized industry courses will be acceptable as general business courses but not as accounting courses unless as defined in subsection 61H1-27.002(2), F.A.C., and they have an accounting prefix, further such courses in order to qualify must be certified by the chairman of the school or college's accounting department as qualifying for general business credit. Written or oral communication courses will qualify for the general business requirement if they have a business or accounting prefix or if they are reflected in the catalog in the school or college as relating directly to the school or college's business or accounting requirements. A maximum of 9 semester hours (13 quarter hours) of computer courses and 6 upper division semester hours (8 quarter hours) of statistics courses will be accepted for purposes of meeting the general business requirement.

- (3) To be eligible to take the licensure examination, an applicant shall have completed 120 semester or 160 quarter hours as follows:
 - (a) 24 semester or 36 quarter hours in accounting education at the upper division level which shall include coverage of auditing, cost and managerial accounting, financial accounting, accounting information systems, and taxation. Not more than 3 semester or 4 quarter hours may be internship programs which may be applied to the 24 semester or 36 quarter hours in accounting (internship courses must be taken in conjunction with other traditional coursework at an institution and must appear on the transcript). Further, any remaining internship credit if otherwise acceptable would be applied to the general business requirement, and
 - (b) 24 semester or 36 quarter hours in general business education which shall include not less than the equivalent of 6 semester or 8 quarter hours in business law courses which shall include coverage of the uniform commercial code, contracts and torts. Vocational and clerical type courses will not count either toward the accounting requirement set forth in subsection 61H1-27.002(2), F.A.C., or this general business education requirement. Specialized industry courses will be acceptable as general business courses but not as accounting courses unless as

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defined in subsection 61H1-27.002(2), F.A.C., and they have an accounting prefix; further such courses in order to qualify must be certified by the chairman of the school or college's accounting department as qualifying for general business credit. Written or oral communication courses will qualify for the general business requirement if they have a business or accounting prefix or if they are reflected in the catalog in the school or college as relating directly to the school or college's business or accounting requirements. A maximum of 9 semester hours (13 quarter hours) of computer courses and 6 upper division semester hours (8 quarter hours) of statistics courses will be accepted for purposes of meeting the general business requirement.

- (4) For purposes of this rule, upper division accounting hours other than elementary above the minimum requirement may be substituted for general business hours. Elementary accounting subjects shall not be accepted as general business education. Elementary accounting subjects include principles of financial and managerial accounting courses even if they are covered in a three course sequence, are titled "introductory," "fundamentals" or "principles" and even if they are offered at the graduate level. All accounting courses and not less than 21 semester or 32 quarter hours of general business courses must be at the upper division level. For the purpose of paragraph 61H1-27.002(2)(b), F.A.C., all general business courses, including accounting courses in excess of the 36 hours required, must be taken at the upper division level, except for Introductory Macro and Micro Economics, three semester hours of the six required in Business Law, Introductory Statistics, Introduction to Computer Information Systems, and any written or oral communication course described in paragraph 61H1-27.002(2)(b), F.A.C. Lower level general business courses, other than those listed above, posted to transcripts after August 31, 1989 will not count. Standardized tests, such as CLEP, are not acceptable for accounting or general business courses; however, advanced placement (AP) courses will be counted if the applicant has been granted college credit for those AP courses by their degree-granting institution.
 - (a) Upper division, as used in Rule 61H1-27.002, F.A.C., means courses offered at the junior level or higher. By definition, any course taken at a community college is not upper division. Courses offered at the freshman and sophomore level at senior

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institutions are not upper division, regardless of the title or content of the course (e.g., Cost, Intermediate, Tax, etc.)

- (b) If an applicant has taken a course at the lower division at a senior institution, and that institution has reclassified the course to the upper division at the time of application to Florida, the course will be deemed upper division for the purpose of Rule 61H1-27.002, F.A.C.
- (5) Re-applicants whose original application for the CPA examination was approved prior to August 2, 1983 may elect to satisfy subsection 61H1-27.002(1), F.A.C.
- (6) For purposes of subsection 61H1-27.002(2), F.A.C., and Section 473.306, F.S., a baccalaureate degree will not be considered as meeting the statutory requirement for a major in accounting or its equivalent unless all credit hours accepted by the college or university as part of the degree requirement are listed as courses in the catalogues of all institutions attended.
- (7) If an applicant takes duplicate courses, only one of these courses will be counted. For purposes of this rule, all CPA Examination Review courses will be deemed to be duplicate courses.
 - (a) Courses will be considered duplicated if they cover a substantially equivalent professional area of knowledge even if separated by a span of time and even if some of the professional, technical and/or legal issues have been changed or modified.
 - (b) Regarding CPA Review courses, by definition these courses cover material already studied. Accordingly, no exception will be made to consider a CPA Review course non-duplicative, regardless of statements by applicants, professors, or academic administrators that additional topics are covered or the material covered only superficially in prior courses is covered in more detail in a “review” course.
- (8) Individuals who have graduated from accounting programs approved by the International Qualifications Appraisal Board of the National Association of State Boards of Accountancy and whose educational degrees are from accredited institutions as set forth in subsection 61H1-27.001(1), F.A.C., shall be deemed to have met the requirements set forth in subsections 61H1-27.002(1)-(3), F.A.C.

61H1-27.0041 One Year of Work Experience

- (1) With the exception of an applicant who completes the requirements of Section 473.308(3), F.S., on or before December 31, 2008, and who passes the licensure examination on or before June

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30, 2010, an applicant must document one year of work experience. One year of work experience shall be held and understood to mean the provision of any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills as verified by the verifying certified public accountant, commencing after the completion of 120 semester or 160 quarter hours from an accredited college or university with a concentration in accounting and business courses or after the applicant has passed the licensure examination in another state or territory of the United States and has either been licensed as a certified public accountant or has met licensing requirements for that state or territory. The experience must either average at least twenty (20) hours a week over no more than one hundred and four (104) weeks or average no more than forty (40) hours a week over no more than fifty-two (52) weeks. Reasonable vacation time and sick leave or other required absences may be permitted. The verifying certified public accountant, in her or his report to the Department, shall verify that the applicant rendered such services for a minimum of 2,000 hours gained over a period of not less than fifty-two (52) or more than one hundred and four (104) weeks. The sequence of the experience is considered immaterial, that is, whether the experience was secured before or after taking the examination, or partly before the examination and partly after the examination, provided the two periods combined equal at least one year.

- (2) For purposes of this rule, a verifying certified public accountant is either a licensed certified public accountant in good standing with any regulating body or a chartered accountant recognized by the International Qualifications Appraisal Board (IQAB), both during the applicant's one year of work experience and at the time of verification.
- (3) The one year of work experience may be achieved by teaching accounting full-time for one year at an accredited college or university, as defined in subsection 61H1-27.001(1), F.A.C., under the following conditions:
 - (a) Full-time teaching as described by the rules of the educational institution where the applicant taught will be accepted by the Board to be full-time teaching. However, in no case will less than twelve (12) semester hours, or the equivalent, be accepted by the Board as full-time teaching.
 - (b) If the applicant has not taught accounting full-time for one year, credit will be allowed by the Board for teaching account-

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ing less than full-time on a pro rata basis based upon the number of semester or quarter hours required for full-time teaching at the educational institution where the applicant taught. However, in no case will an applicant receive credit for a full-time teaching year for teaching done in less than one academic year or more credit than one full-time teaching year for teaching done within one calendar year.

- (c) Courses outside the fields of accounting and general business will not be counted toward full-time teaching.
- (4) Documentation of the one year of work experience shall be made using the Verification of Work Experience form (DBPR Form CPA 32/Revised 08/2012), which is hereby incorporated by reference, a copy of which may be obtained from <http://www.flrules.org/Gateway/reference.asp?No=Ref-02046> or the Board office located at 240 N. W. 76th Drive, Suite A, Gainesville, FL 32607-6655.

61H1-27.005 Educational Advisory Committee

The Board shall appoint an Educational Advisory Committee which shall be composed of one (1) member of the Board, two (2) Florida CPAs in public practice, and four (4) academicians on faculties of universities within the State of Florida. The Board member shall be appointed by the Chairman and serve at his or her pleasure. The other members of the Committee will be selected by the Chairman of the Committee for terms of two (2) years, with the potential for reappointment for one (1) additional two (2) year term. Any member appointed to fill a vacated, partial term, can serve two (2) full terms. In addition, the Committee shall consist of expert staff retained by the Department of Business and Professional Regulation. Said staff shall be individuals who have knowledge and experience with educational curricula and national accreditation standards for accounting and business programs. The Educational Advisory Committee shall assist the Board and Board staff with any educational matters or issues brought to the Committee, including but not limited to questions regarding academic qualification for applications for examination and licensure by endorsement. The Committee may also bring educational issues it deems of importance to the Board.

Chapter 61H1-28 Examinations

61H1-28.0011 Examinations

- (1) The Board adopts the Uniform CPA Examination “CPA Examination” prepared by the Board of Examiners of the American Institute of Certified Public Accountants as its licensure examinations.

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- (2) As used in Chapter 61H1-28, F.A.C., “Examination window” means a three-month period in which candidates have an opportunity to take the CPA Examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus candidates will be able to test two out of the three months within each examination window.
- (3) For purposes of the CPA Examination:
 - (a) A first-time candidate is defined as a candidate who is required to file an application in order to qualify to sit for all sections of an examination.
 - (b) A re-examination candidate is defined as a candidate who has not received credit for all sections within the time frame allotted, as set out in Rule 61H1-28.0052, F.A.C.
 - (c) Candidates cannot retake a failed test section(s) in the same examination window.

61H1-28.0052 Number of Sitzings, and Granting of Credit, Release of Grades and Completion of Examination, Transition Rules

- (1) With respect to the CPA Examination:
 - (a) A candidate may take the required test sections individually and in any order. Credit for any test section(s) passed shall be valid for eighteen months from the National Association of State Boards of Accountancy (NASBA) grade release date for that test section, without having to attain a minimum score on any failed test section(s) and without regard to whether the candidate has taken other test sections.
 - (b) Candidates must pass all four test sections of the CPA Examination within a rolling eighteen-month period, which begins on the NASBA grade release date for the first test section(s) passed. In the event all four test sections of the CPA Examination are not passed within the rolling eighteen-month period, credit for any test section(s) passed outside the eighteen-month period will expire and that test section(s) must be retaken.
- (2) A candidate shall be deemed to have passed the CPA Examination when the candidate has been granted credit for all sections of the CPA Examination. Upon certification of examination scores by the Board to the Department that the applicant has met all licensure requirements as imposed by Chapters 455 and 473, F.S., and the rules promulgated pursuant thereto, the Department shall issue a li-

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cense to practice public accounting to such individual. However, in no event shall an initial license be issued if the initial licensure fees and all required documents are not received within 36 months of the date of certification of examination scores by the Board; in such case, the certification expires and the applicant may reapply for licensure by endorsement, pursuant to Section 473.308(7)(a), F.S.

61H1-28.0061 Examination Credit from Other States

Upon application, an individual who has been granted credit by another state for any section on the CPA Examination, the specific examinations for which sections were identical to those offered in Florida, shall receive Florida credit for such out-of-state credit provided similar credit would have been granted in Florida at the time out-of-state credit was granted had the candidate met all the Florida requirements and sat for such examinations in Florida. For purposes of this rule in determining whether to transfer examination credit from another state, the Board shall consider and hold binding the examination requirements in effect in Florida at the time the individual received out-of-state credit. An individual so receiving Florida credit shall be deemed to have been a Florida candidate for such purpose in determining future sittings and credit granting for the remaining section(s). Any person desiring to receive credit under this rule shall file an application with the Department and be certified as eligible to the Department by the Board.

Chapter 61H1-29 Licensure by Endorsement

61H1-29.002 Temporary License

In each instance in which out-of-state CPAs or firms, not authorized to practice public accounting pursuant to the practice privileges granted to Section 473.3141, F.S., send out-of-state personnel into the state to perform a specific engagement, a temporary license will be required. Applications for temporary licenses must be filed prior to commencement of the engagement. A temporary license shall not be required of a person entering this state solely for the purpose of preparing federal tax returns or advising as to federal tax matters.

An out-of-state CPA who is a resident of Florida may not practice as a CPA in Florida through the use of temporary licenses or the practice privileges granted to Section 473.3141, F.S., nor may he assume or use the titles or designations “certified public accountant,” or “public accountant” or the abbreviation “CPA,” or any other title, designation, words, letters, abbreviations, sign, card, or device tending to indicate that he holds an active license under Chapter 473, F.S., nor shall such person

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attest as an expert in accountancy to the reliability or fairness of presentation of financial information or utilize any form of disclaimer of opinion which is intended or conventionally understood to convey an assurance of reliability as to matters not specifically disclaimed unless such person holds an active license under Chapter 473, F.S. This rule shall not prohibit the performance by such persons of other services involving the use of accounting skills, including the preparation of tax returns and the preparation of financial statements without expression of opinion thereon.

61H1-29.0025 Temporary License—Electronic Practice

Temporary licenses will be required of out-of-state CPAs or firms not authorized to practice public accounting pursuant to the practice privileges granted in Section 473.3141, F.S., who wish to practice public accountancy in this state via electronic means (other than for federal tax matters as provided by Section 473.314, F.S.). Applications for temporary licenses must be filed prior to commencement of the engagement. The provisions of subsections 61H1-29.002(7) and (8), F.A.C., shall also apply to licenses for electronic practice.

61H1-29.003 Experience for Licensure by Endorsement

Any applicant seeking licensure by endorsement under Section 473.308(7)(a), F.S., and having not been licensed in another state, shall have completed continuing education meeting the requirements of Rule 61H1-33.003, F.A.C., for the two (2) years immediately preceding the filing of the application.

Any applicant seeking licensure by endorsement under Section 473.308(7)(b), F.S., and having been licensed in another state, shall have completed whatever continuing education is required by that state to maintain an active license to practice public accounting in that state, so long as such requirements are equivalent to those required by Rule 61H1-33.003, F.A.C., for the two (2) years immediately preceding the filing of the application.

Any applicant seeking licensure by endorsement under Section 473.308(8), F.S., must have experience that includes at least five years experience gained in industry, academia, or in the practice of public accounting while licensed as a Certified Public Accountant or Chartered Accountant in the practice of public accounting or as an auditor or accountant in a unit of federal, state, or local government provided that the position held meets the activity and verification requirements set forth in Section 473.308(4)(a), F.S.

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61H1-29.005 CPA Education/CPE Credit

The CPE reestablishment period for new Florida CPAs begins on the date of certification, which is printed on the license. Only courses completed after that date may be used for CPE credit. Accordingly, no courses which count as education for obtaining the CPA license may be used for CPE credit.

Chapter 61H1-31 Fees

61H1-31.001 Collection and Payment of Fees

All fees shall be made payable to the Department of Business and Professional Regulation. Application fees will not be refunded in the event an application is withdrawn or denied.

61H1-31.002 Examination and Reexamination Fees

- (1) Applicants to sit for the CPA examination, as a first time candidate or for candidates transferring partial credits from another state, a \$50.00 application fee will be owed prior to processing the application. Once the applicant has been approved to sit for the examination as a Florida candidate, it is the applicant's responsibility to complete the examination process with the national vendor and pay any examination fee required by the vendor.
- (2) In addition to the examination fee charged to take each section of the examination set forth in subsection (1), re-examination candidates will be charged a re-examination administration fee covering the costs of administration of the re-examination, which will vary depending on the number of examination sections the candidate applies to take per application:
 - (a) Four sections of the examination—\$105.00,
 - (b) Three sections of the examination—\$90.00,
 - (c) Two sections of the examination—\$75.00, or
 - (d) One section of the examination—\$60.00.
- (3) For fees relating to the Foreign Language Examination refer to Sections 455.217(1)(b), (2), F.S.

61H1-31.003 Renewal of Active and Inactive License Fee for CPA

For individual active and inactive status licenses, the biennial renewal fee provided for in Section 473.305, F.S., shall be \$100.00, with the exception that for the 2013-2014 renewal period, the fee shall be \$80.00. A special fee of \$5.00 per licensee shall be imposed upon initial licensure and at each renewal to fund efforts to combat unlicensed activity.

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61H1-31.004 Delinquency Fee

A delinquent status licensee shall pay a delinquency fee of \$50.00 when the licensee applies for active or inactive status.

61H1-31.005 Initial Licensure Fee

The fee for initial licensure of an individual shall be \$50.00. In the event the application is denied or withdrawn, no portion of the fee shall be refunded by the Department. A special fee of \$5.00 per licensee shall be imposed upon initial licensure and at each renewal to fund efforts to combat unlicensed activity.

61H1-31.006 Reactivation Fee

The application fee for reactivation of an inactive status license to active status shall be \$250.00; for reactivation of a delinquent status license to active, \$250.00. In all cases completion of the requirements of Rule 61H1-33.006, F.A.C., shall be required for reactivation.

61H1-31.0065 Change of Status Process Fee

The fee for processing a licensee's request to change licensure status from active to inactive at any time other than during the renewal period shall be \$50.00.

61H1-31.007 Temporary License Fee

The fee for a temporary license shall be \$400.00 for the first license in a calendar year and \$400.00 for each additional application in the same calendar year.

61H1-31.0075 Temporary License Fee—Electronic Practice

The fee for a temporary license shall be \$400.00 for the first license in a calendar year and \$400.00 for each additional application in the same calendar year.

61H1-31.008 Licensure by Endorsement

The application fee for license by endorsement provided in Section 473.308, F.S. shall be \$250.00 per person.

61H1-31.009 Renewal of Accountancy Firm License Fee

The biennial renewal fee provided in Section 473.305, F.S., for partnerships, corporations, and limited liability companies licensed in Section 473.3101, F.S., shall be \$145.00. The biennial renewal fee provided in Section 473.305, F.S., for sole proprietor firms licensed in Section

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473.3101, F.S., shall be \$45.00. A special fee of \$5.00 per licensee shall be imposed at each renewal to fund efforts to combat unlicensed activity.

61H1-31.010 Initial Accountancy Firm License Fees

The initial licensure fee provided in Section 473.305, F.S., for partnerships, corporations, and limited liability companies licensed in Section 473.3101, F.S. shall be \$145.00. The initial licensure fee provided in Section 473.305, F.S., for sole proprietor firms licensed in Section 473.3101, F.S., shall be \$45.00.

Persons, partnerships and corporations licensed in the first year of the biennial period, as established by the Department, shall pay the fees established above. Those persons, partnerships and corporations licensed in the second year of the biennial period, as established by the Department, shall pay one half of the fees established above. A special fee of \$5.00 per licensee shall be imposed upon initial licensure and at each renewal of fund efforts to combat unlicensed activity.

61H1-31.011 Licensure and Exam Score Verification Fee

The fee for verification of licensure and examination status to other states shall be \$50.00.

61H1-31.012 Duplicate License Fee

If a Florida CPA requests a duplicate license or wall certificate, the Board will issue the duplicate if the request is made in writing and is accompanied by a payment of \$25.00.

61H1-31.014 Continuing Education Course Approval Fees

For approval of a continuing education course in ethics, meeting the requirements of Section 473.312(1)(c), F.S., \$250.00.

61H1-31.015 Reinstatement of a Null and Void License Fee

Upon approval of the board, reinstatement of a null and void license must be accompanied by an application fee of \$250.00. The completion of the requirements of Rule 61H1-33.006, F.A.C. shall be required for reinstatement.

Chapter 61H1-33 Reestablishment of Professional Knowledge and Competency

61H1-33.001 CPAs Required to Comply with this Chapter

Each Florida CPA shall be required to reestablish his/her professional knowledge and competency in conformity with this rule by the completion of continuing professional education programs. Each Florida CPA

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shall commence his/her reestablishment period on the date indicated on his/her Florida certificate. The initial designated reestablishment period for such Florida CPA shall end on the third June 30th following the date indicated on his/her Florida certificate. Each succeeding reestablishment period shall begin on July 1, and end on June 30, two years thereafter.

61H1-33.002 Organization and Administration

There is created the Committee on Continuing Professional Education. Subject to the approval of the Board, said Committee shall:

- (1) Evaluate and determine, either prospectively or retrospectively, whether specific courses, programs, education and training qualify as formal programs of learning which contribute directly to professional competency of an individual following licensure to practice public accounting, and the credit to be granted therefore;
- (2) Determine in individual cases whether professional knowledge and competency have been reestablished by virtue of the completion of such programs; and
- (3) Audit the continuing professional education records of Florida CPAs on a sample basis from time to time.

61H1-33.003 Continuing Professional Education

- (1) (a) In any given reestablishment period, each current/active Florida certified public accountant must have completed at any time or times during the two-year period, at least 80 hours of educational instruction or training in public accounting subjects or courses of study, as defined hereinafter, of which at least 20 hours must have been in accounting-related and/or auditing-related subjects and of which no more than 20 hours may be in behavioral subjects and at least four hours shall be in Florida Board-approved ethics.
(b) Florida CPAs who do not meet the requirements by June 30th will be granted an automatic extension until September 15th provided the Florida certified public accountant completes an additional 8 hours in Accounting and Auditing subjects. An automatic extension will be granted until December 31st provided the Florida certified public accountant completes an additional 16 hours in Accounting and Auditing subjects.
- (2) Educational instruction or training in public accounting subjects or courses of study is hereby defined as formal programs of learning, as defined below, which contribute directly to professional competency following licensure to practice public accountancy. Unless

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otherwise approved by the Board pursuant to Section 120.542, F.S., subjects or courses of study qualifying an individual for the purpose of this rule shall be limited to:

(a) Accounting and auditing subjects to consist of:

1. Accounting-related subjects or courses, including, but not limited to, financial accounting (including current authoritative literature in generally accepted accounting principles in the United States), and accounting for specialized industries.
2. Auditing-related subjects or courses, including, but not limited to, general auditing theory and practice (including current authoritative literature in generally accepted auditing standards in the United States), auditing for specialized industries (including governmental auditing requirements) and audit applications to computers and information systems; and other category courses to consist of:

(b) Technical business subjects to consist of:

1. Taxation.
2. Management services and management advisory services.
3. General business including, but not limited to, economics, business law, production or operational systems, marketing, finance, quantitative applications in business and business policy, and computers and information systems without audit applications; and

(c) Behavioral subjects to consist of:

1. Oral and written communications.
2. The social environment of business.
3. Administration of a public accounting practice including, but not limited to, behavioral sciences, managerial effectiveness and management by objectives.

(3) Effective July 1, 1999, educational instruction or training in public accounting subjects or courses of study is hereby defined as formal programs of learning as defined below, which contribute directly to professional competency following licensure to practice public accountancy. Subjects or courses of study qualifying an individual for the purposes of this shall be limited to:

(a) Accounting and auditing subjects to consist of: Accounting and financial reporting subjects, the body of knowledge dealing with recent pronouncements of authoritative accounting principles issued by the standard-setting bodies, and any other related subject generally classified within the accounting disci-

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pline. Subjects include auditing subjects related to the examination of financial statements, operations systems, and programs; the review of internal and management controls; and the reporting on the results of audit findings, compilation and review. It also includes assurance services that relate to Standards for Attest Engagements.

- (b) Technical business subjects to consist of:
 - 1. Taxation including tax compliance and tax planning.
 - 2. Consulting services including management advisory services; personal financial planning services; planning and control systems dealing with planning, organizing and controlling any phase of individual financial activity or business activity; designing, implementing, and evaluating operating systems as well as business advisory services and personal financial planning.
 - 3. Management including practice management for the public practitioner; financial management of an organization including information systems, budgeting and asset management, planning, buying and selling businesses, contracting for goods and services and foreign operation; budgeting; cost analysis; human resource management; and financial management.
 - 4. Specialized knowledge and applications including subjects related to specialized industries such as not for profit organizations, health care, oil and gas.
- (c) The ethics courses shall be obtained from a provider approved pursuant to Rule 61H1-33.0032, F.A.C., and consist of:
 - 1. A review of Chapters 455 and 473, F.S., and the related administrative rules.
 - 2. The ethics course may include other subjects including but not limited to: ethical conduct, core values and competencies, professional responsibility, responsibility to clients and the public, case studies that require the application of ethics principles, national professional standards and interpretations, and appropriate national issues related to the practice of accounting.
- (d) Behavioral subjects including oral and written communications and the social environment of business. All courses not covered above are considered behavior except for business meetings, social functions, committee service and courses in ele-

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mentary accounting or basic mathematics which do not qualify for credit.

- (4) Credit may be prorated by the sponsor for courses that cover more than one area of study by (1) prorating the amount of time spent in each area or (2) awarding credit based on the lowest topic covered with accounting and auditing being the highest and behavioral the lowest. Therefore an eight-hour course that was 75% accounting and auditing and 25% management would receive six (6) hours of accounting and auditing credit and two (2) hours of technical business or eight (8) hours of all technical business. Hours cannot be prorated in less than one hour increments.
- (5) In order for a Florida certified public accountant to receive credit for programs of learning, as defined above, the following formalities and further requirements must be met:
 - (a) Courses taken at institutions of higher education:
 - 1. Higher education credit courses taken from an accredited institution as defined in subsection 61H1-27.001(1), F.A.C., shall be credited for continuing professional education purposes at the rate of 15 hours for each semester hour of higher education credit and 10 hours for each quarter hour of higher education credit, provided the number of contact hours (hours in the classroom) totals at least 90% of the continuing professional education credit so determined. Otherwise, continuing professional education credit shall be limited to the actual number of contact hours.
 - 2. Higher education non-credit courses shall be credited for continuing professional education purposes equivalent to the actual number of contact hours.
 - 3. Continuing professional education credit for instructing a higher education course shall be twice the credit which would have been granted participants for the first presentation of a specific course of program, the same as the credit granted a participant for the second presentation and none thereafter, except as permitted by subparagraph 61H1-33.003(5)(b)4., F.A.C.
 - 4. No continuing professional education credit shall be permitted for attending or instructing accounting courses considered to be elementary.
 - (b) Other professional education or training:
 - 1. Professional development courses shall be credited for continuing professional education purposes in full hours

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only, equivalent to the actual number of contact hours (hours in the classroom which must include at least fifty minutes of continuous participation) provided an outline (defined as a schedule of activity listing major topics of discussion) is prepared in advance and retained; a course is at least one contact hour in length; the course conducted by a qualified instructor, lecturer or discussion leader; and a record of registration and attendance is maintained. For this purpose, a one-day program will be granted eight hours credit if the total lapsed time is at least eight hours and the contact time is approximately 400 minutes. An instructor, lecturer or discussion leader will be considered qualified if, through formal training or experience, he has obtained sufficient knowledge of the subject matter to competently instruct the course. A course participant will be granted credit for only that portion of a course actually attended. If a record of registration and attendance is not maintained by the sponsoring organization, the course participant must be able to prove registration and attendance.

2. Formal organization in-firm educational programs shall be credited for continuing professional education purposes to the same extent and by the same requirements as other professional development courses.
 3. Instructors, lecturers, panelists and discussion leaders for professional development courses and formal organized in-firm educational programs shall be credited for continuing professional education purposes at twice the credit granted participants for the first presentation of a specific course or program, the same as the credit granted a participant for the second presentation and none thereafter, except as permitted in subparagraph 61H1-33.003(5)(b)4., F.A.C. Co-panelists and co-discussion leaders shall be credited for the portion of specific course or program they must prepare to discuss and lead as a co-panelist or co-discussion leader.
 4. To the extent course content has been substantially revised, the revised portion shall be considered a first presentation for the purposes of subparagraph 61H1-33.003(5)(b)3., F.A.C.
- (6) Each Florida certified public accountant shall, as a part of the biennial licensure renewal, on or before December 31 prior to his/her

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biennial license renewal, report on forms prescribed by the Board, compliance with continuing professional education requirements completed during the applicable reestablishment period. Each Florida certified public accountant's documentation supporting such compliance shall be retained through the two years following a two-year reestablishment period. Documentation is to be retained to support evidence of completion of the required hours to enable a random audit by the Department of Business and Professional Regulation to determine compliance with the requirements. Documentation of each course shall be in a format to include course title and date, number of hours earned, attendee name, certified public accountant course provider name, number, and signature by the provider furnishing said certificate. If staff review or review by the Committee on Continuing Professional Education determines that courses are either improperly classified or do not otherwise meet the requirements of the chapter, then the Florida certified public accountant will be given 60 days from the date of notification to comply with the continuing professional education requirements. Florida CPAs who complete the continuing professional education requirements timely but who are found to be deficient after December 31 of their renewal year must correct the error and pay a \$50 fine within 60 days.

- (7) Sponsors of formal correspondence or other individual study technical business and accounting and auditing programs must be approved by the National Association of State Board of Accountancy Quality Assurance Service.

61H1-33.0031 Continuing Professional Education/Ethics

A Florida CPA must complete no less than four of the total hours required for any reestablishment period in ethics from a provider approved pursuant to Rule 61H1-33.0032, F.A.C. In the event the four hours is completed in two modules, Florida CPAs must complete the four-hour requirement with the same provider.

61H1-33.0032 Board Approval of CPA Ethics Continuing Education by Providers

- (1) Applicants for continuing education provider status to offer courses which satisfy the four (4) hour certified public accountant continuing education ethics requirement in Section 473.312(1)(c), F.S., must meet the requirements of subsections (2) and (3) of this rule.

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- (2) To demonstrate the education and/or the experience necessary to offer courses which satisfy the CPA continuing education ethics requirement, an applicant for continuing education provider status must be a regionally accredited educational institution, a commercial educator, a governmental agency, a state or national certified public accounting professional association whose purpose includes fostering ethical conduct and promoting standards of independence, integrity, and objectivity in the certified public accounting profession, a certified public accountant who has not been disciplined by the Board, or a certified public accounting firm.
- (3) To allow the Board to evaluate an application for continuing education provider status, the applicant must submit the following:
 - (a) The name, address and telephone number of the prospective provider;
 - (b) A description of the ethics course the provider expects to conduct for credit to include a review of Chapters 455 and 473, F.S., the related administrative rules, and topics including but not limited to: ethical conduct, core values and competencies, professional responsibility, responsibility to clients and the public, case studies that require the application of ethics principles, national professional standards and interpretations, and appropriate national issues related to the practice of accounting;
 - (c) A description of the staffing capability of the applicant;
 - (d) A sample of intended course materials;
 - (e) A list of anticipated locations to conduct the courses;
 - (f) A complete course curriculum;
 - (g) A description of the means the applicant will use to update the course in response to rule or law changes; and
 - (h) Documentation that the ethics course instructor will notify the ethics course provider of any disciplinary action taken against the instructor by the Board.
- (4) Should the Board determine that the provider has failed to provide appropriate continuing education services, it shall request that the Department issue an order requiring the provider to cease and desist from offering certified public accountant ethics continuing education courses and shall request that the Department revoke any approval of the certified public accountant ethics course provider granted by the Board.
- (5) No provider may allow any certified public accountant to conduct any certified public accountant ethics course or seminar offered by

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the provider if that certified public accountant has been disciplined. Upon receipt of notice from an instructor that the instructor has been disciplined, the provider shall, within fourteen (14) days, write to the Board office and confirm that the instructor is no longer conducting certified public accountant ethics courses or seminars offered by the provider. For the purpose of this subsection, a letter of guidance shall not constitute “discipline.”

- (6) The Board retains the right and authority to audit and/or monitor programs and review records and course materials given by any provider approved pursuant to this rule. The Board shall revoke the approved status of the ethics course provider or reject individual ethics courses given by an ethics course provider if the provider disseminated any false or misleading information in connection with the continuing education programs, or if the provider fails to conform to and abide by the rules of the Board.

61H1-33.0033 Obligations of CPA Ethics Course Continuing Education Providers

To maintain an approved status as an ethics course continuing education provider, the provider must:

- (1) Retain documentation that the course instructor is a certified public accountant who has practiced in a public accounting firm for five of the last ten years, whose background, training, education or experience makes it appropriate for the person to teach the course.
- (2) Require each Florida certified public accountant to complete the entire four-hour certified public accountant ethics course requirement in order to receive a certificate of attendance. Offer the four-hour certified public accountant ethics course in one module of four credit hours or two modules of two credit hours.
- (3) Furnish each attendee with an individual certificate of attendance in a format to include course title and date, number of hours earned, attendee name, certified public accountant ethics course provider name, number, and signature by the provider furnishing said certificate. An attendance record shall be maintained by the provider for four years and shall be available for inspection by the Board. Providers shall maintain security of attendance records and attendance records.
- (4) Ensure that all promotional material for courses or seminars offered to Florida certified public accountant for credit contain the certified public accountant ethics course provider number and course title.

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- (5) Allow only one hour credit for each hour of classroom, audio or video instruction, an “hour of classroom, audio or video instruction” being a minimum of 50 minutes instruction or presentation.
- (6) Allow only one hour of credit for each “hour of correspondence study.” The “hour of correspondence study” must be based on the average completion time of each course as established by the provider.
- (7) Provide a written examination to each participating Florida certified public accountant in correspondence study courses. In order to complete the course, the Florida certified public accountant must sign and date the examination and receive a minimum grade of eighty percent (80%). If a Florida certified public accountant fails the examination, the Florida certified public accountant will be permitted to take the examination again in order to achieve a passing grade.
- (8) Ensure that all correspondence or other individual study courses are approved by the National Association of State Boards of Accountancy Quality Assurance Service.
- (9) Notify the Board within thirty (30) days of any change in the address or telephone number of the provider.
- (10) Allow the Board to have access to information concerning courses or seminars conducted by the provider for continuing education credit.

61H1-33.0034 Evaluation of CPA Ethics Course Providers

The Board or its designee reserves the right to evaluate continuing education ethics courses or seminars offered to CPAs for credit by the following methods:

- (1) Observing such ethics courses or seminars; and
- (2) Reviewing the files of the provider to gain information about any course or seminar offered to CPAs for ethics course credit.

61H1-33.00341 Duration of CPA Ethics Course Provider Status

Continuing education providers are approved only for the biennium during which their application was received and approved. Providers must reapply for approved provider status at the beginning of each biennium. The biennium for continuing education providers ends on June 30th of each odd-numbered year. The Board shall notify CPA ethics course providers at least ninety (90) days prior to the date of expiration of the provider status. A provider must reapply for approval at least sixty (60) days

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prior to the date of expiration of provider status in order to prevent a lapse in provider status.

61H1-33.00342 CPA Ethics Courses—Standards for Approval of Courses

- (1) In order to meet the requirements of paragraph 61H1-33.0032(3)(b), F.A.C., each approved CPA Ethics Course Provider shall submit a syllabus of each ethics course for which it seeks Board approval. The syllabus shall include a description of the manner by which the course (including its various components) meets the requirements of this rule.
- (2) The syllabus of the course shall include the following:
 - (a) A description of each subject to be covered during the presentation of the course with the estimated time to be spent addressing each subject, the individual(s) who will be responsible for presenting each subject, a listing of the sources (through a bibliography or notes) from which the course material addressing each subject is drawn, and any tests, quizzes or exercises provided during the offering of the course;
 - (b) The manner in which the course complies with the requirements of Section 473.312(1)(c), F.S. In order to meet this requirement the course shall be limited to addressing the ethical and professional responsibilities of CPAs with emphasis on ethical conduct, core values and competencies, professional responsibility, responsibility to clients and the public, case studies that require the application of ethics principles, national professional standard and interpretations, and appropriate national issues related to the practice of accounting. Practice-oriented programs are preferred insofar as such programs involve the CPA in the process of the practice of public accountancy. Courses should be structured to confront the question, “How will you handle this situation when it occurs in your practice?”
 - (c) The course shall include a review of Chapters 455 and 473, F.S., and the related administrative rules.
- (3) A provider may meet the requirements set forth herein through various generally accepted methodologies. Thus, lectures, case studies, discussion groups, interactive studies and other recognized methods may be utilized. Additionally, providers may target specific areas of CPA practice in each course submitted for approval. A provider may offer a course module which, for example, ad-

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addresses CPA ethics and professionalism in Tax Practice or Managerial Accounting as well as other areas of practice.

- (4) Upon receipt of the syllabus required in subsection 61H1-33.0342(2), F.A.C., the Board will review the course to determine whether it complies with this rule, the provisions of Section 473.312(1), F.S., and the CPA Ethics Provider Rules set forth in Chapter 61H1-33, F.A.C. If the Board rejects a course in whole or in part, a provider will be offered the option of modifying the course or withdrawing the course and resubmitting the course for approval. However, all courses submitted for approval must be submitted at least sixty (60) days prior to either the ending of the provider's approval as a CPA Ethics Course Provider as set forth in Rule 61H1-33.00341, F.A.C., or sixty (60) days prior to the initial date the course will be taught—whichever occurs earlier.

61H1-33.0035 Continuing Professional Education/Governmental Auditing

- (1) Any certified public accountant who is involved in governmental audits shall be required to comply with the continuing professional education (CPE) requirements imposed by Government Auditing Standards 2007 commonly referred to as the "Yellow Book," effective July 2007, which is hereby incorporated by reference, if during the engagement:
 - (a) The certified public accountant is the in charge person, or
 - (b) The certified public accountant reviews the working papers or report or both, or
 - (c) The certified public accountant supervises others, or
 - (d) The certified public accountant is the only certified public accountant performing the work.
- (2) CPAs conducting audits controlled by either paragraph (a) or (b) below, shall be required to take 24 hours of governmental CPE and shall be required to comply with the CPE requirements imposed by Government Auditing Standards.
 - (a) Government Auditing Standards, 2007 Revision, issued by the U.S. Government Accountability Office, which may be obtained at <http://www.gao.gov/govaud/ybk01.htm>.
 - (b) The Rules of the Auditor General, Chapter 10.550, which may be obtained at [http://www.myflorida.com/audgen/pages /rules.htm](http://www.myflorida.com/audgen/pages/rules.htm).

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- (3) The required 24 hours of governmental CPE may be used to meet the courses required in paragraph 61H1-33.003(1)(a), F.A.C., provided they meet the requirements of subsection 61H1-33.003(2), F.A.C.

61H1-33.006 Inactive or Delinquent Florida CPAs Who Desire to Become Active Licensees

- (1) Each Florida certified public accountant who has requested inactive status or became delinquent, as distinguished from a Florida certified public accountant whose certificate or license has been suspended, who desires to become an active Florida certified public accountant, i.e., engage or reengage in the practice of public accounting in Florida, shall apply for such reactivation by completing and submitting to the Department Form DBPR CPA 5011-1—Request for Change of Status, hereby incorporated by reference and effective 7-23-06; copies of the form may be obtained from the Board office. However, if a license is delinquent on January 1 for failure to comply with Rule 61H1-33.003, F.A.C., through failure to report compliance with continuing professional education requirements by the immediately prior December 31st, a Florida certified public accountant may reactivate, pursuant to Section 473.311, F.S., by certifying the required hours have been completed, paying the fees required by Rules 61H1-31.003, 31.004 and 31.006, F.A.C., by March 15 of the same year of the delinquency.
- (2) Each such application shall demonstrate successful completion of the required number of continuing professional education hours.
- (a) Florida CPAs who have been inactive or delinquent for one reporting period following their most recent current/active license, shall satisfy the requirements of their most recent biennium while active plus 40 additional CPE hours in the following manner:

Accounting/ Auditing	Ethics	Behavioral	Total Hours
At least 20 hours	At least 4 hours	No more than 20 hours	120 Hours

- (b) Florida CPAs who have been inactive for no more than two reporting periods since maintaining a current/active license, shall satisfy the requirements of their most recent biennium plus 120 additional CPE hours in the following manner:

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Accounting/ Auditing	Ethics	Behavioral	Total Hours
At least 30 hours	At least 4 hours	No more than 20 hours	200 Hours

- (c) Florida CPAs who have been inactive for three or more reporting periods since maintaining a current/active license, shall satisfy the requirements of their most recent biennium plus 200 additional CPE hours in the following manner:

Accounting/ Auditing	Ethics	Behavioral	Total Hours
At least 40 hours	At least 4 hours	No more than 20 hours	280 Hours

- (3) Florida CPAs who have been inactive for two or more reporting periods since maintaining a current/active license must complete at least sixty percent (60%) of the necessary hours in the twenty-four (24) months immediately preceding the date of the application for reactivation and the remaining forty percent (40%) may have been completed no more than forty-eight (48) months immediately preceding the date of the application for reactivation.
- (4) The first establishment period after reactivation shall commence on the following June 1st and the initial designated reestablishment date shall be the third June 30th following reactivation.

61H1-33.0065 Exemption from Renewal Requirements for Spouses of Members of the Armed Forces of the United States

A Florida certified public accountant who is the spouse of a member of the Armed Forces of the United States and was caused to be absent from the State of Florida because of the spouse's duties with the armed forces shall be exempt from all licensure renewal provisions under these rules during such absence. The Florida certified public accountant must show proof to the Board of the absence and the spouse's military status.

Chapter 61H1-34 Persons Other Than CPAs

61H1-34.001 Preparation of Financial Statements by Persons Other than CPAs or Inactive CPAs.

- (1) As provided in Section 473.322, F.S., persons other than CPAs or CPAs on inactive status may prepare financial statements and submit them to others provided that:

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- (a) Such financial statements are issued without attestation as an expert in accountancy as to the reliability or fairness of the presentations shown therein or expression of opinion as defined in Rule 61H1-20.005.
- (b) Such financial statements, or reports, transmittal letters or other written communication issued or associated with financial statements, shall not in any manner whatsoever state, show, claim or imply that the financial statements resulted from an audit examination or review.
- (c) Any report, transmittal letter or other written communication issued with such financial statements, in addition to setting forth an address, salutation and reference to the completion and submission of a tax return, may identify and list the financial statements submitted, state that the financial statements are unaudited or prepared without audit from the records or books of account, and state that such financial statements are in agreement or have been reconciled with the tax return.
- (d) Any such report, transmittal letter or other written communication issued with the financial statements as provided in subparagraph (c) above may also contain a listing of procedures (as distinguished from auditing procedures or standards and accounting principles or standards) used in preparing the financial statements, provided:
 - 1. the procedures listed are not so extensive, or the listing worded in such manner, as to claim or imply that the financial statements are the result of an audit or examination performed in accordance with generally accepted auditing standards or a review as contemplated by standards for accounting and review services; and
 - 2. the description of the procedures does not use words or terminology which connote or relate to an audit or examination in accordance with generally accepted auditing standards or the presentation of financial statements in conformity with generally accepted accounting principles (e.g., words or terminology such as audit, examination, opinion, certificate, certify, fairly present, auditing procedure, auditing standard, audit test, test of accounting records, accounting principle or standard, generally accepted auditing standard, generally accepted accounting principle or standard).
 - 3. the listing of such procedures is followed by the statement, “these procedures do not constitute an audit or examina-

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tion of these financial statements in accordance with generally accepted auditing standards, nor do they imply either an expression of opinion, or disclaimer of opinion, as to the fairness of the presentation of the financial statements or their conformity with generally accepted accounting principles” or a statement or words to that effect.

- (2) The preparation of tax returns by persons other than CPAs, which is permitted by Section 473.322, F.S., may not include the preparation of financial statements and submission to others except in accordance with the guidelines contained in paragraph (1) above.

61H1-34.002 Notice to Public by Non-Licensed Persons

A person or firm that is not a certified public accountant or authorized to practice public accounting pursuant to the practice privileges granted in Section 473.3141, F.S., shall not hold itself out as engaged in or as qualified to engage in the practice of public accounting; and shall not assume or use the titles or designations “certified public accountant” or “public accountant” or, a “CPA” or any other title, designation, words, letters, abbreviations, sign, card or device tending to indicate licensure to practice public accounting. Any such person or firm that is a member of, or is associated with any association, society or other group of accountants or public accountants, shall when indicating such membership association include the words “Not registered with the Board of Accountancy,” “Not licensed by the Department of Business and Professional Regulation,” or similar words in letters of equal size and prominence to those indicating association, society or other group membership or affiliation.

Chapter 61H1-35 Foreign Licensure Examination

61H1-35.002 Examination to Foreign Speaking Florida Residents.

Any person who has filed valid application pursuant to Rule 61H1-35.001, F.A.C., shall be deemed qualified for examination and reexaminations which shall be administered in the English language unless 15 or more such applicants request that said examination be administered in their native tongue. In the event that such examination is administered in a foreign language, said examination shall be substantially equivalent to the CPA Examination.

Chapter 61H1-36 Discipline

61H1-36.003 Time for Payment of Civil Penalties

In cases where the Board of Accountancy imposes a civil penalty for violation of Chapter 455 or 473, F.S., or the rules promulgated pursuant

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thereunder, the penalty shall be paid within thirty (30) days of its imposition by Order of the Board.

61H1-36.004 Disciplinary Guidelines; Range of Penalties; Aggravating and Mitigating Circumstances

- (1) (a) The board sets forth below a range of disciplinary guidelines from which disciplinary penalties will be imposed upon practitioners guilty of violating Chapter 473, F.S. The purpose of the disciplinary guidelines is to give notice to licensees of the range of penalties which will normally be imposed upon violations of particular provisions of Chapter 473, F.S. The disciplinary guidelines are based upon a single count violation of each provision listed. The brief description of each violation is provided for quick reference and is not meant to convey all elements of any given statutory provision; the full language of each statutory provision cited must be consulted in order to determine the conduct involved. All penalties at the upper range of the sanctions set forth in the guidelines, i.e., suspension, revocation, etc., include lesser penalties, i.e., fine, probation or reprimand which may be included in the final penalty at the board's discretion.
- (b) Standard probationary terms will include, as applicable, a review of the licensee's practice, including analysis of selected financial statements (including working papers), restriction of the scope of the licensee's practice and review of internal controls put in place by the licensee in order to eliminate the violation. All of the above will usually include the use of a CPA consultant employed by the Department of Business and Professional Regulation or approved by the Board and will usually require the licensee to assume the cost of the consultant's activities. Additional continuing education may also be required of a licensee where deficiencies in a particular practice area are noted. In all cases of probation or suspension a report showing compliance with the terms of the final order must be received and accepted by the Board prior to the termination of the probation or suspension. Other specific terms of probation or suspension may be imposed, as necessary, by the Board.
- (2) The following disciplinary guidelines shall be followed by the board in imposing disciplinary penalties upon licensees for violation of the below mentioned statutes and rules:

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Violation	Penalty Range	
	Minimum	Maximum
(a) Attempting to procure license by bribery or fraudulent misrepresentation (Sections 455.227(1)(h), 473.323(1)(b), F.S.)	Revocation and \$5,000 fine if licensed (denial of license and refer to State Attorney if not licensed)	
(b) CPA license disciplined by another jurisdiction (Sections 455.227(1)(h), 473.323(1)(b), F.S.)	Same penalty as imposed in other jurisdiction or imposi-	

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gally sufficient, the BOA will prepare and submit to the probable cause panel of the appropriate regulatory board the investigative report of the department. The report shall contain the investigative findings and the recommendations of the BOA concerning the existence of probable cause. At any time after legal sufficiency is found, the BOA may dismiss any case, or any part thereof, if they determine that there is insufficient evidence to support the prosecution of allegations contained therein.

As an alternative, when a complaint is received, the BOA may provide a licensee with a notice of noncompliance for an initial offense of a minor violation. A violation is a minor violation if it does not demonstrate a serious inability to practice the profession, result in economic or physical harm to a person, or adversely affect the public health, safety, or welfare or create a significant threat of such harm. Failure of a licensee to take action in correcting the violation within 15 days after notice may result in the institution of regular disciplinary proceedings.

After the investigation is complete, the documentation is sent to the Office of General Counsel for review and recommendation to the Probable Cause Panel. The complainant will be informed when the investigation is completed and the file is forwarded to the Office of General Counsel. Upon review by the Office of General Counsel and the Probable Cause Panel, the complainant will receive written notification of their action. A CPA can be disciplined, the case can be closed, or the CPA can be issued a letter of guidance or caution. If probable cause is found, the complaint becomes public record. If no probable cause is found or letters of guidance/caution are issued, the case remains private.

A formal hearing before an administrative law judge from the Division of Administrative Hearings shall be held pursuant to chapter 120 if there are any disputed issues of material fact. The administrative law judge shall issue a recommended order pursuant to chapter 120. If any party raises an issue of disputed fact during an informal hearing, the hearing shall be terminated and a formal hearing pursuant to chapter 120 shall be held.

455.2255 Classification of Disciplinary Actions

- (1) A licensee may petition the department to review a disciplinary incident to determine whether the specific violation meets the standard of a minor violation as set forth in s.455.225(3). If the circumstances of the violation meet that standard and 2 years have passed since the issuance of a final order imposing discipline, the department shall reclassify that violation as inactive if the licensee has not been disciplined for any subsequent minor violation of the

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Violation	Penalty Range	
	Minimum	Maximum
4. Client records disposition (Rule 61H1-23.002, F.A.C.)	\$250 fine	Suspension until records are returned
(i) Practicing on suspended or revoked license (Section 473.323(1)(i), F.S.)	Revoke if previously suspended; refer to State Attorney if previously revoked	
(j) Practicing on inactive or delinquent license (Sections 455.271, 473.323(1)(i), F.S.)	Reprimand and fine based on length of time in practice while inactive; \$100/month or \$5,000 maximum (penalty will require licensure or cease practice)	
(k) Licensees practicing in an unlicensed firm (including sole proprietors) or otherwise in violation of Sections 473.309, 473.3101, and 473.323(1)(g), F.S.; Rule 61H1-26.001, F.A.C.	Reprimand and \$100 per month fine to maximum of \$5,000 and suspension of right to practice until corrected	
(l) Suspension of right to practice in front of any state or federal agency (Sections 455.227(1)(f), 473.323(1)(j), F.S.)	Same penalty as imposed by agency or imposition of same range of penalties as those set forth in those rules for the same type of violation	
(m) Lack of Good Moral Character (Section 473.323(1)(l), F.S.)	Reprimand; and one year probation	Revocation
(n) Failure to pay fines or administrative costs imposed by final order or citations set forth in Rule 61H1-36.005, F.A.C.	\$100 per month late fee for every month the licensee is late to a maximum of \$5,000	Revocation
(o) Violation of CE requirements (Section 473.323(1)(a) by 473.312 or 473.323(1)(h), 455.227(1)(q), F.S., by Rule 61H1-33.003 and/or 61H1-33.0035, F.A.C.)	Reprimand, probation, make up missed CEs and penalty CEs	Suspension and \$1,000 fine
(p) Violation of client confidentiality (Section 473.323(1)(a) or 455.227(1)(q), F.S., by Rule 61H1-23.001, F.A.C.)	Reprimand, probation, and \$1,000 fine	Suspension and \$5,000 fine
(q) Misleading or deceptive name (Section 473.323(1)(a) by 473.321, F.S.)	Reprimand, probation, and \$1,000 fine	Suspension and \$5,000 fine
(r) Violation of Section 473.323(1)(a) by 473.322, F.S.: 1. Present license of another as one's own (Section 473.322(1)(d), F.S.)	Reprimand, probation, and \$1,000 fine	Suspension and \$5,000 fine
2. Give false or forged evidence to Board or member thereof (Section 473.322(1)(e), F.S.)	Reprimand, probation, and \$1,000 fine	Revocation and \$5,000 fine

ression revoked, suspended, or otherwise acted against, including the denial of licensure, by the licensing authority of any jurisdiction, including its agencies or subdivisions, for a violation that would constitute a violation under Florida law. The licensing authority's acceptance of a relinquishment of licensure, stipulation, consent order, or other settlement, offered in response to or in anticipation of the filing of charges

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Violation	Penalty Range	
	Minimum	Maximum
3. Use or attempt to use license that has been suspended, revoked, or placed on inactive or delinquent status (Section 473.322(1)(f), F.S.)	Reprimand, probation, and \$1,000 fine	Revocation and \$5,000 fine
4. Employ unlicensed persons to practice public accounting; aiding or assisting unlicensed practice public accounting (Section 473.322(1)(g), F.S.)	Reprimand, probation, and \$1,000 fine	Suspension and \$5,000 fine
5. Conceal information relative to violations of Chapter 473, F.S. (Section 473.322(1)(h), F.S.)	Reprimand, probation, and \$1,000 fine	Suspension and \$5,000 fine
(s) Failure to provide legally-required written disclosure to client or public (violation of Section 473.323(1)(m), F.S.)	Reprimand, probation, and \$1,000 fine	Suspension and \$5,000 fine
(t) Violation of Section 473.323(1)(a) by 455.227(1), F.S.: 1. Improper influence on client (Section 455.227(1)(n), F.S.)	Reprimand, probation, and \$1,000 fine	Revocation and \$5,000 fine
2. Improper delegation of professional responsibilities (Section 455.227(1)(p), F.S.)	Reprimand, probation, and \$1,000 fine	Suspension and \$5,000 fine
3. Improper interference with investigation or disciplinary proceeding (Section 455.227(1)(r), F.S.)	Reprimand, probation, and \$1,000 fine	Revocation and \$5,000 fine
4. Failure to perform statutory/ legal obligations (Section 455.227(1)(k), F.S.)	Reprimand, probation and \$1,000 fine	Suspension and \$5,000 fine
(u) Failure to maintain current address (violation of Sections 455.275, 455.227(1)(q), and 473.323(1)(h), F.S., by violating Rule 61H1-26.005, F.A.C.)	Reprimand and \$500 fine	Suspension and \$1,000 fine
(v) Standards for assembly of financial statements (violation of Sections 455.227(1)(q) and 473.323(1)(h), F.S., by Rule 61H1-20.0053, F.A.C.)	Reprimand, probation, and \$1,000 fine	Suspension and \$5,000 fine
(w) Violation of Sections 473.323(1)(h) and 455.227(1)(q), F.S., by Rule 61H1-25.001, F.A.C. Same as (t)2. subparagraph	Reprimand, probation, and \$1,000 fine	Suspension and \$5,000 fine

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Violation	Penalty Range	
	Minimum	Maximum
(x) Minimum capital (violation of and Sections 455.227(1)(q) and 473.323(1)(h), F.S., by Rule 61H1-26.002, F.A.C.)	Reprimand, probation, \$1,000 fine and corrective action. Must document required capital	Suspension and \$5,000 fine
(y) Licensure of firm names and changes (violation of Sections 455.227(1)(q) and 473.323(1)(h), F.S., by Rules 61H1-26.003 and 61H1-26.004, F.A.C.)	Reprimand, probation, \$100/ month fine and corrective action. Must document licensure	Suspension and \$5,000 fine
(z) Failure to report discipline violation (Section 455.227(1)(i), F.S.)	Reprimand, probation, and \$1,000 fine	Suspension and \$5,000 fine
(aa) Failure to timely report being convicted or found guilty of, or entering a plea of nolo contendere or guilty to, regardless of adjudication, a crime in any jurisdiction (more than 30 days late) (Section 455.227(1)(t), F.S.)	Reprimand	Suspension and \$5,000 fine

- (3) The Board shall be entitled to deviate from the above-mentioned guidelines upon a showing of aggravating or mitigating circumstances by clear and convincing evidence presented to the Board prior to the imposition of a final penalty.
- (a) Aggravating circumstances; circumstances which may justify deviating from the above set forth disciplinary guidelines and cause the enhancement of a penalty beyond the maximum level of discipline in the guidelines shall include but not be limited to the following:
1. History of previous violations of the practice act and the rules promulgated thereto.
 2. In the case of negligence; of the magnitude and scope of the engagement and the damage inflicted upon the general public by the licensee's misfeasance.
 3. Evidence of violation of professional practice acts in other jurisdictions wherein the licensee has been disciplined by the appropriate regulatory authority.
 4. Violation of the provision of the practice act wherein a letter of guidance as provided in Section 455.225(3), F.S., has previously been issued to the licensee.

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5. Multiple convictions of violations of the same provision of Chapter 473, F.S., or the rules promulgated thereto contained in the same administrative complaint.
- (b) Mitigating circumstances; circumstances which may justify deviating from the above set forth disciplinary guidelines and cause the lessening of a penalty beyond the minimum level of discipline in the guidelines shall include but not be limited to the following:
 1. In cases of negligence, the minor nature of the engagement in question and lack of danger to the public health, safety and welfare resulting from the licensee's misfeasance.
 2. Lack of previous disciplinary history in this or any other jurisdiction wherein the licensee practices his profession.
 3. Restitution of any damages suffered by the licensee's client.
 4. The licensee's professional standing among his peers including continuing education.
 5. Steps taken by the licensee or his firm to insure the non-occurrence of similar violations in the future.
 6. The degree of financial hardship incurred by a licensee as a result of the imposition of fines or the suspension of his practice.
 7. Cooperation with the Department of Business and Professional Regulation and the Board including understanding and admission of the violation by the Respondent.

61H1-36.005 Citations

- (1) Pursuant to Section 455.224, F.S., the Board sets forth in subsection (3) of this rule those violations for which there is no substantial threat to the public health, safety and welfare; or, if there is a substantial threat to the public health, safety and welfare, such potential for harm has been removed prior to the issuance of the citation. Next to each violation is the fine to be imposed.
- (2) Prior to issuance of the citation, the Department must confirm that the violation has been corrected or is in the process of being corrected. If the violation is a substantial threat to the public health, safety and welfare, such potential for harm must be removed prior to issuance of the citation.
- (3) The following violations with accompanying fines may be disposed of by citation:

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(a) Practicing on an inactive or delinquent license (Section 473.323(1)(i), F.S.)	Reprimand and fine based on length of time in practice while inactive; \$100/month or \$5,000 maximum (penalty will require licensure or cease practice).
(b) Licensees practicing in an unlicensed firm (including sole proprietors) or otherwise in violation of Sections 473.309, 473.3101, and 473.323(1)(g), F.S.	Reprimand and \$100 per month fine to maximum of \$5,000 and suspension of right to practice until corrected.
(c) Licensees who complete continuing professional education requirements timely but who are found to be deficient after December 1st of their renewal year (subsection 61H1-33.003(5), F.A.C.)	Submit documentation that deficient hours have been completed and pay \$50 fine within 60 days.
(d) Licensees who fail to timely submit complete documentation for a CE audit	Fined \$100 per month.
(e) Retention of client records when records are returned more than three months after the date requested and there is no evidence that the failure to return the records was due to any fees not being paid. (Rule 61H1-23.002, F.A.C.)	\$500 fine.
(f) Failure to timely report being convicted or found guilty of, or entering a plea of nolo contendere or guilty to, regardless of adjudication, a crime in any jurisdiction (up to 30 days late) (Section 455.227(1)(t))	\$250 fine.

- (4) Once the citation becomes a final order, the citation and complaint become a public record pursuant to Chapter 119, F.S., unless otherwise exempt from the provisions thereof. The citation and complaint may be considered as aggravating circumstances in future disciplinary actions pursuant to paragraph 61H1-36.004(3)(a), F.A.C.
- (5) The procedures described herein apply only for an initial offense of the alleged violation. Subsequent violation(s) of the same rule or statute shall require the procedures of Section 455.225, F.S., to be applied. In addition, should an initial offense for which a citation could be issued occur in conjunction with violations not described herein, then the procedures of Section 455.225, F.S., shall apply.

61H1-36.0055 Minor Violation, Notice of Non-Compliance

- (1) Pursuant to Section 455.225(3), F.S., the Department may issue a notice of non-compliance to a certified public accountant for an initial offense of a minor violation. Failure of the person to whom a notice of non-compliance is issued to take corrective action which

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is set forth in the notice of violation within 15 days of the receipt of the notice may result in further disciplinary action.

- (2) The following violations are minor violations for which the Department may issue a notice of non-compliance:
 - (a) Retention of client records when records are returned within three months of the date requested and there is no evidence that the initial failure to return the records was due to any fees not being paid.
 - (b) Use of “& Associates” in a firm name when the firm does not have a licensee that qualifies as the “associate”.
 - (c) Licensees practicing in a firm which was not licensed within three months of the date the firm began doing business. Any late fees shall still apply.
 - (d) Practicing on a delinquent license for up to three months.
 - (e) Failure to timely complete required CPE if failure is due to erroneous belief that completed CPE satisfied requirements and deficiency has been completed.
 - (f) Failure to notify the Board in writing within 30 days of the occurrence of any of the following:
 - 1. Admission or addition of a co-partner, shareholder or member in the Florida office;
 - 2. Retirement or death of a co-partner, shareholder, or member in a Florida office;
 - 3. Termination of the partnership, professional service corporation or limited liability company of any Florida office.
 - (g) Failure to provide the Board with a list of all co-partners, shareholders or members in the U.S. pursuant to subsection 61H1-26.004(2), F.A.C.
 - (h) Employment by a CPA firm of any person with a delinquent or inactive license; or, working for a CPA firm with an inactive or delinquent license for one year or less.
 - (i) Issuance of a check to the Board or Department that is subsequently dishonored.
- (3) The Department shall not issue a notice of non-compliance for any subsequent violations of the same provision of the law or rules to the same licensee, registrant or certificate holder, within a three-year period following the initial notice of non-compliance for violation of that provision.

61H1-36.006 Mediation

- (1) “Mediation” means a process whereby a mediator appointed by the Department acts to encourage and facilitate resolution of a legally

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sufficient complaint. It is an informal and nonadversarial process with the objective of assisting the parties to reach a mutually acceptable agreement.

- (2) The Board finds that mediation is an acceptable method of dispute resolution for the following violations as they are economic in nature or can be remedied by the certified public accountant:
 - (a) Failure of the certified public accountant to timely pay any assessed administrative fines or costs;
 - (b) Retention of client records contrary to Rule 61H1-23.002, F.A.C.;
 - (c) Issuance of a check to the Board or Department that is subsequently dishonored;
 - (d) Practicing in or as an unlicensed firm less than three months; and/or
 - (e) Practicing on a delinquent license less than three months.
- (3) A “mediator” means a person who is certified in mediation by the Florida Bar, the Florida Supreme Court, or the Division of Administrative Hearings.

Chapter 61H1-38 Certified Public Accountant Education Minority Assistance Program

61H1-38.001 Definitions.

Minority—As used herein, the term “minority” shall have the same meaning as set out in Section 288.703(3), F.S.

61H1-38.002 Fifth Year of Accounting Education Program

As used in Section 473.3065(1), F.S., a student will be deemed to be enrolled in the “fifth year of accounting education program” so long as the student has completed or is in the final semester of completing a minimum of one hundred and twenty (120) semester hours of academic credit and either is in the process of matriculation in an academic program of higher learning in this state that will result in completion of at least thirty (30) semester hours in excess of that required for a baccalaureate degree or, when the scholarship authorized under Section 473.3065, F.S., will be awarded, has been accepted into and will be enrolled in a different program of higher learning at an approved institution of higher learning in this state that will result in the completion of at least thirty (30) semester hours in excess of that required for a baccalaureate degree. Any program meeting this definition must be configured such that successful completion of the program will qualify a candidate to take the CPA examination

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in Florida under the provisions of Chapter 473, F.S., and the rules promulgated thereto.

61H1-38.003 General Requirements

Approved Institutions—Residency scholarships will only be awarded to students who are Florida residents and who are enrolled in the fifth year of an accounting education program in an institution of higher learning in this state which is accredited by one of the accrediting bodies set forth in Rule 61H1-27.001, F.A.C.

61H1-38.004 Eligibility Criteria

A student who meets the foregoing general criteria shall be eligible to be chosen to receive a scholarship so long as the following criteria are met:

- (1) Applicants must demonstrate a financial need which is defined as the cost of attendance at an institution of higher education less the expected family contribution and any gift aid for which the student is entitled. “Cost of attendance” is defined as a Board approved estimate of the expenses incurred by a typical financial aid student attending college. It includes direct educational costs (tuition, books, supplies, computers) as well as indirect costs (room and board, transportation, laundry, child care and personal expenses). Applicants will be required to authorize the Certified Public Accountant Education Minority Assistance Advisory Council (Council) to verify information submitted including financial assistance and educational costs. It is the intent that scholarship money from this source should not affect a student’s eligibility for other scholarships, but should reduce their self-help aid. However, the Council shall take other assistance into consideration when determining a student’s eligibility for a scholarship under this section.
- (2) Applicants must be enrolled as full-time students in a fifth year accounting program as defined in Section 473.306(2), F.S., at an approved institution as defined in Rule 61H1-27.001, F.A.C., and declared a major in accounting.
- (3) Applicants must demonstrate scholastic ability of a minimum undergraduate grade point average of 2.5 based on a 4.0 scale.
- (4) Applicants must be academically in good standing as defined by the college or university.
- (5) Applicants must be of “good moral character” as that term is defined in Section 473.306(4)(a), F.S.
- (6) All applications must be postmarked by June 1 of the year to which the scholarship will apply.

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61H1-38.005 Scholarships

- (1) Scholarships will be awarded in the amount of at least \$3,000.00, not to exceed \$6,000.00, per semester up to a maximum of two (2) semesters.
- (2) Scholarship awards will be made payable to the institution and will be transmitted during September for those enrolled in the fall term and during January for those enrolled in the winter term.
- (3) A maximum of \$200,000.00 may be expended for all scholarships each year.
- (4) A minimum of \$1,000.00 must be maintained in the program account.

61H1-38.006 Terms for Council Members

Initial terms will be phased in by appointing two (2) members for a two (2) year term to expire December 31, 2000, and two (2) members to a three (3) year term to expire December 31, 2001. Thereafter all terms will be three (3) years except for the Board Member who shall be appointed annually by the Board Chair.

61H1-38.007 Fees

An equal assessment per license out of existing licensing fees, as set forth in Section 473.3065, Florida Statutes, and not to exceed \$10 per license shall be made in an amount needed to collect \$200,000.00 per fiscal year in order to fund the authorized scholarships.

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Review Questions

1. Regarding the Florida Board of Accountancy's (BOA) authority to issue citations, which of the following statements is true?
 - A. When the BOA issues a citation, it will generally contain the penalty if any that will be imposed.
 - B. Generally the BOA will issue a citation within 90 days of a legitimate complaint being filed.
 - C. A CPA has 45 days to respond to a citation issued by the BOA.
 - D. The BOA may not initiate an investigation against a CPA without a complaint from an outside party.
2. Which of the following statements is true?
 - A. A CPA may not express an opinion on the financial statements of an enterprise unless she or he and her or his firm are independent with respect to such enterprise.
 - B. 25% of the total CPE hours required by the board within a renewal period shall be in ethics applicable to the practice of public accounting.
 - C. A license that is delinquent for failure to report completion of the required CPE may not be reactivated under any circumstances.
 - D. A client may not refuse to disclose the contents of confidential communications with an accountant.
3. What is the minimum penalty the BOA might impose for knowingly making or filing a false report?
 - A. 1 year suspension.
 - B. 1 year probation and a reprimand.
 - C. \$250 fine.
 - D. \$100 per month fee for every month since the report was issued.

Review Answers

1.
 - A. **Correct.** If the BOA believes that grounds exist for disciplinary action, a citation will be issued to the subject and shall contain the subject's name and address, the subject's license number if applicable, a brief factual statement, the sections of the law allegedly violated, and the penalty imposed.
 - B. Incorrect. Generally the BOA may issue a citation within 60 days of a legitimate complaint being filed.
 - C. Incorrect. The BOA requires a response within 30 days of the CPA receiving the citation.
 - D. Incorrect. The BOA may also initiate an investigation if it has reasonable cause to believe that a licensee or a group of licensees has violated a Florida statute, a rule of the department, or a rule of a board.

2.
 - A. **Correct.** A CPA may not express an opinion on the financial statements of an enterprise unless she or he and her or his firm are independent with respect to such enterprise. A CPA may not undertake any engagement in the practice of public accounting which she or he or her or his firm cannot reasonably expect to complete with professional competence.
 - B. Incorrect. Not less than 25% of the total hours required by the board shall be in accounting-related and auditing-related subjects, as distinguished from federal and local taxation matters and management services. Not less than 5% of the total hours required by the board shall be in ethics applicable to the practice of public accounting.
 - C. Incorrect. A license that is delinquent for failure to report completion of the requirements in s.473.312 may be reactivated under s.473.311 upon application to the department. Reactivation requires the payment of an application fee as determined by the board and certification by the Florida CPA that the applicant satisfactorily completed the continuing education requirements set forth under s.473.311.
 - D. Incorrect. A client has a privilege to refuse to disclose, and to prevent any other person from disclosing, the contents of confidential communications with an accountant when such other person learned of the communications because they were made in the rendition of accounting services to the client.

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3. A. Incorrect. 1 year suspension might be imposed for a criminal conviction.
- B. **Correct.** Reprimand and one (1) year probation is the minimum penalty, but the BOA may also impose revocation and a \$5,000 fine if it determines the maximum penalty should be imposed.
- C. Incorrect. A \$250 fine may be imposed for fraudulent, false, deceptive or misleading advertising.
- D. Incorrect. \$100 per month late fee for every month the licensee is late paying fees associated with a citation may be imposed.

Glossary

Applied ethics—Concept which discusses how moral outcomes can be achieved in specific situations.

Autonomy—Theory of ethics which states that each person should be allowed to make their own decisions based on their lives.

Beneficence—The duty to do good both individually and for all. This principle is mainly associated with the utilitarian ethical theory.

Competence—The knowledge and ability to assure that the quality of the services rendered meets professional standards.

Confidentiality—The duty to respect privacy of information and action.

Conflict of interest—May occur if a person performs a professional accounting service or professional accounting work for a client or employer and the person has a relationship with another person, entity, product, or service that could, in the person's professional judgment, be viewed by the client, employer, or other appropriate parties as impairing the person's objectivity.

Contingent Fee—A fee agreed to for the performance of a service in which no fee will be charged unless a specific finding or result is achieved.

Deontology (Kantian ethics)—Deals with the concept of duty and the rightness of acts. It emphasizes maxims, duties, rules, and principles that are so important that they should be followed whatever the consequences.

Descriptive ethics—Encompasses the moral values people actually abide by.

Due Care—Performing with diligence and competence by rendering services carefully and in a timely, thorough manner while complying with applicable standards and adequately planning and supervising the services.

Glossary

Ethics (also known as moral philosophy)—"A branch of philosophy that addresses questions about morality—that is, concepts such as good and evil, right and wrong, virtue and vice, justice, etc." Ethics on the other hand, can also be defined as "the science of human duty; the body of rules of duty drawn from this science; a particular system of principles and rules concerning duty, whether true or false; rules of practice in respect to a single class of human actions; as, political or social ethics; medical ethics."

Finality—The duty to take action that may override the demands of law, religion, and social customs.

Integrity—An element of character fundamental to professional recognition. It is the quality from which the public trust derives and the benchmark against which a member must ultimately test all decisions.

Justice—All people should be treated fairly.

Least harm—A person should base their decisions on doing the least amount of harm to the fewest number of people.

Meta-ethics—Discusses the theoretical meaning and reference of moral propositions and how their truth-values (if any) may be determined.

Moral psychology—Discusses how moral capacity or moral agency develops and what its nature is.

No Harm—Unlike the principle of least harm, this principle requires the duty to cause *no* harm, both individually and for all.

Normative ethics—Discusses the practical means of determining a moral course of action.

Objectivity—Imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest.

Publicity—The duty to take actions based on ethical standards that must be known and recognized by all who are involved.

Glossary

Respect for persons—A person should honor others, their rights, and their responsibilities as we honor ourselves. In addition, people should not be used as a means to our end.

Rest's Defining Issues Test (DIT)—Developed by James Rest in 1979, it is designed to assess a person's stage of moral development. The stages used are based on Kohlberg's approach to morality, which places individuals into one of the following six stages of moral development.

Understanding/Tolerance—A person should appreciate and accept other people's viewpoints, if reason dictates doing so is warranted.

Utilitarianism (teleological ethics)—The promotion that the best long-term interest of everyone concerned should be the moral standard: one should take those actions that lead to the greatest balance of good versus bad consequences.

Veracity—A person should always be honest and tell the truth.

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2014 CPE Audit Update

Noticed – 919

Responded to Audit – 868 (Actual number, and includes no duplicate responses)

Reviewed – 868

Sent to Board review – 15

Waived – 3

Compliant– 762

Non-compliant – 88

No response received – 51

Probationary Sponsor Agreements

SUNCOAST ADVISORY GROUP SARASOTA, FL	0006264
INDIAN RIVER COMMUNITY FOUNDATION, INC VERO BEACH, FL	0006283
EAST COAST ESTATE PLANNING COUNCIL JUPITER, FL	0006262
THE GRAHAM PRIVATE CLIENT LAW GROUP, P.C. CANTON, GA	0006279
BARK ENTERPRISES BOCA RATON, FL	0006288
CARLTON FIELDS JORDAN BURT P.A. ORLANDO, FL	0006229
CREDITCRB ESTERO, FL	0006253

CPA CE PROVIDER APPLICATION REVIEW PROCESS

Review application for completeness and address update, etc., if necessary. If the application is for initial licensure, the application is approved as such for four (4) years from the date of approval.

NOTE: The provider is on a probationary status the first two (2) years and is required to submit six (6) different course applications during the probationary period.

After the first four years as a provider, if they have failed to comply with the six (6) course minimum requirement, the provider license is not renewed.

CPA CE COURSE APPLICATION REVIEW PROCESS

Review course application, course outline or agenda, to ensure number of hours is accurate and approve as submitted.

This information is found in the CPE Sponsor Guideline Package (online)

Here is the link for your review:

<http://www.myfloridalicense.com/dbpr/cpa/documents/CPESponsorGuidelinePackage.pdf>

The review and processing of Ethics provider or course applications does not fall under the Bureau of Education and Testing.

Ken Lawson, Secretary

Rick Scott, Governor

MEMORANDUM

To: Organizations Interested in Providing CPE Courses
From: Florida Board of Accountancy
Re: Guidelines for Providing CPE Courses for Florida CPAs

You have expressed an interest in providing Continuing Professional Education (CPE) credit to Florida CPAs. Courses qualify for credit based on the course content. As long as a course is on an appropriate subject, (see enclosed CPE Guidelines) it will qualify for CPE credit. Course approval is not required for group study courses, provided the content of the course qualifies based on the above referenced CPE Guidelines.

The CPE hour is equal to 50 minutes. Credit is given in whole hours only; any fractional hours must be rounded down.

When you provide courses to CPAs, you **must** give them the following in writing:

- **A course outline or agenda**, indicating what subjects were covered and how much time was spent on each subject.

- **Written proof of attendance**. This must include the attendees' name and license number, title of the course, the date the course was completed, number of hours and type of credit (i.e., A&A, Technical Business or Behavioral) earned, your organizations' name (and Sponsor number if you have one), and the signature of a representative of your organization who is authorized to verify attendance.

You must also advise participants to retain these documents. CPAs are responsible for keeping this information in their files. It is not sent to the Board office, unless it is specifically requested.

If you publicize programs that qualify for credit, you may include the following statement:

"Courses on (subject of your course) qualify for (name of category) CPE credit for Florida CPAs. Written proof of attendance will be supplied."

SPONSOR SYSTEM

Although a formal sponsor system is offered by the Board of Accountancy, participation in this system is optional. However, pre-approval is required for self-study and ethic courses. No fee is required to participate in the sponsor program. **If you wish to become an approved sponsor, you must complete and submit form DBPR 0020-1 Master Organization Application. If you are not applying to become an approved sponsor, do not submit any forms.**

If you elect to participate in the sponsor system, you will have additional obligations. You will begin a two (2) year probationary period when you submit your sponsor agreement. You will then be assigned a sponsor ID number that must be used on **all** correspondence relating to your coursework. You must provide this sponsor ID number to CPAs attending your courses. This number is for the purpose of identification only. During your two (2) year probationary period, you must submit at least six (6) different courses.

Each course for which approval is requested **must** be received in the Board office at least four (4) weeks prior to the course date. It is the obligation of the sponsor to indicate the number and category of hours requested on form DBPR CPA 5013-1 as well as a course outline with a timeline indicating the number of minutes spent on each topic.

Do not send other information (such as speaker biographies, registration brochures, PowerPoint presentations, or literature on your firm). Incomplete applications will not be processed.

If sufficient coursework is not submitted during the probationary period, the sponsor agreement will not be renewed. However, if courses are submitted timely, correctly, and the sponsor agreement is maintained during the probationary period, you will be offered a continuing agreement. The requirements for continuing sponsors are essentially the same.

Whether or not you become part of the sponsor system, you may NEVER state that your course is approved by the Board of Accountancy. Since we are unable to send verification of approval for each individual course, the statement on the previous page is all that can be published. As part of the sponsor system, you are approved as a course provider only.

If you offer self-study courses, a separate pre-approval procedure is required. To receive the requirements for offer self-study course, please contact the National Association of State Boards of Accountancy's (NASBA) Quality Assurance Services (QAS) program at www.nasba.org or (615) 880-4200.

If you want to offer ethic courses, a separate pre-approval procedure is required. You can download an application from www.myfloridalicense.com/dbpr/cpa/documents/EthicsContinuingEducationProviderApplication.pdf.

**FLORIDA BOARD OF ACCOUNTANCY
COMMITTEE ON CONTINUING PROFESSIONAL EDUCATION
CPE GUIDELINES**

The purpose of continuing professional education is to assist CPAs in maintaining their professional knowledge and competence. Courses selected should be relevant to the practice of the CPA attending them, and should contribute directly to their professional competency to practice public accounting.

There are four categories into which all acceptable subject matter for CPE credit is classified: 1) Accounting and Auditing, 2) Technical Business, 3) Behavioral and 4) Ethics. Florida CPAs must complete at least 20 hours in accounting and auditing and at least 4 hours in approved ethics every two years.

The accounting and auditing category is narrowly limited to include only courses on accounting and financial reporting subjects, professional pronouncements of authoritative accounting principles issued by the standard-setting bodies and any other related subject generally classified within the accounting discipline. Accounting and auditing subjects consist of:

1. Accounting-related subjects or courses including, but not limited to, financial accounting (including current authoritative literature in generally accepted accounting principles in the United States and the Pronouncements of the Accounting Principles Board and the Financial Accounting Standards Board), and accounting for specialized industries.
2. Auditing-related subjects or courses, including, but not limited to, general auditing theory and practice (including current authoritative literature in generally accepted auditing standards in the United States and the Statements on Auditing Standards promulgated by the American Institute of Certified Public Accountants, auditing for specialized industries (including governmental auditing requirements) and audit applications to computers and information systems.

Some additional examples of accounting and/or auditing are:

Annual updates of accounting and/or auditing
Assurance Services that relate to Standards for Attest Engagements
Auditing Financial Statements, operations systems and programs
Compilation and Review
Financial Statement Disclosure
Fraud Detection
International Accounting
Professional Pronouncements (APB, FASB, GAAP, GAAS, GASB, SAS, SSARS)
Review of Internal and Management Controls

The technical business category is broad, including courses on taxation, general business, and management advisory services. Technical business subjects consist of:

1. Taxation.
2. Management services and management advisory services.
3. General business including, but not limited to, economics, business law, production or operational systems, marketing, finance, quantitative applications in business and business policy, and computers and information systems without audit applications.

Some additional examples of technical business courses are:

Accounts payable/Accounts receivable
Budgeting and Asset Management
Business valuation
Computer programming or use of software package (For example - Access, Excel, FRx, Oracle, Peachtree, PeopleSoft, PowerPoint, QuickBooks, Quicken, Word, etc.)
Financial planning
Fraud Prevention
General ledger

Law (Business related)
Management of an Accounting Practice
Pension plan administration
Personal Financial Planning
Planning and Control Systems
Real estate principles
Specialized Industries (Banking, Healthcare, Insurance, etc.)
Tax shelters and investments

The Behavioral category includes courses on oral and written communications, the social environment of business, and administration of an accounting practice. No more than a maximum of 20 hours may be reported in behavioral subjects for each reestablishment period. Examples of behavioral subjects are:

Effective speaking
Employee supervision
Human Resources
Leadership and motivation
Management by objectives
Speed reading
Time management

Effective with the June 30, 2006 reestablishment period all licensees must take at least four (4) hours of ethics. The provider and ethics course must be approved by the Florida Board of Accountancy to meet this requirement. A list of approved providers and courses can be found at <http://www.myflorida.com/dbpr/cpa/index.shtml>. The licensees shall attain a certificate of course completion prior to completing the exam requirements in Rule 61H1-33.001, F.A.C. The ethics course shall consist of:

1. A review of Chapters 455 and 473, F.S., and the related administrative rules.
2. The ethics course may include other subjects including but not limited to: ethical conduct, core values and competencies, professional responsibility, responsibility to clients and the public, case studies that require the application of ethics principles, national professional standards and interpretations, and appropriate national issues related to the practice of accounting.

Certain types of activities DO NOT qualify for CPE credit because they are not sufficiently related to the practice of public accounting or because they are not structured as formal courses. The following DO NOT qualify for CPE credit:

Authorship of books or articles
Basic mathematics courses
Business meetings and social functions
Coffee breaks, meals and registration at seminars
Committee service
Foreign language courses
Instructing or attending elementary accounting or courses equivalent to elementary accounting (whole first year of accounting)
Keyboarding

Revised: July 2011

DBPR 0020-1 – Master Organization Application



**STATE OF FLORIDA
DEPARTMENT OF BUSINESS AND
PROFESSIONAL REGULATION
1940 North Monroe Street
Tallahassee, Florida 32399-1046**

ORGANIZATION INFORMATION		
Federal Employer ID Number		
Organization Name		
Trade Name		
Ownership: <input type="checkbox"/> Proprietorship <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Joint Venture Agreement <input type="checkbox"/> Trust Agreement <input type="checkbox"/> Estate <input type="checkbox"/> Professional Association <input type="checkbox"/> Other		
MAILING ADDRESS		
Street Address or P.O. Box		
City	State	Zip Code (+4 optional)
County (if Florida address)	Country	
CONTACT INFORMATION		
Contact Name		
Primary Phone Number	Primary E-Mail Address	
RESIDENCE ADDRESS (IF DIFFERENT THAN MAILING ADDRESS)		
Street Address		
City	State	Zip Code (+4 optional)
County (if Florida address)	Country	
BUSINESS LOCATION ADDRESS		
Street Address		
City	State	Zip Code (+4 optional)
County (if Florida address)	Country	
ADDITIONAL CONTACT INFORMATION (OPTIONAL)		
Alternate Phone Number	Fax Number	
Alternate E-Mail Address		

DBPR CPA 5013-1 Request for Course Evaluation



**STATE OF FLORIDA
DEPARTMENT OF BUSINESS AND
PROFESSIONAL REGULATION
1940 North Monroe Street
Tallahassee, FL 32399 – 0783**

**NOTE – This form must be submitted as
part of an entire application packet.**

***If you have any questions or need assistance in completing this application, please contact the
Department of Business and Professional Regulation, Customer Contact Center, at (850) 487-1395***

REQUESTOR INFORMATION (EITHER INDIVIDUAL OR ORGANIZATION)				
Last Name	First	Middle	Title	Suffix
Organization Name			Sponsor Number	
BUSINESS MAILING ADDRESS				
Street Address				
City		State	Zip Code (+4 Optional)	
County (if Florida address)		Country		
CONTACT INFORMATION				
Primary Phone Number		Primary E-Mail Address		
PHYSICAL BUSINESS ADDRESS				
Street Address				
City		State	Zip Code (+4 Optional)	
County (if Florida address)		Country		
ADDITIONAL CONTACT INFORMATION (OPTIONAL)				
Alternate Phone Number		Fax Number		
Alternate E-Mail Address				

COURSE INFORMATION			
<input type="checkbox"/> Probationary Provider <input type="checkbox"/> Continuing Provider			
Course Type:	<input type="checkbox"/> Accounting & Auditing	<input type="checkbox"/> Technical Business	<input type="checkbox"/> Behavioral
If Credit Split, please indicate:	(#___ AA Hrs.)	(#___ TB Hrs.)	(#___ BEH Hrs.)
Course Title			
Course Number Please leave BLANK		Total Credit Hours	

I affirm that I have provided the above information completely and truthfully to the best of my knowledge.

Submitted by (signature): _____ Date: _____
(Point of Contact Signature)

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2013 Florida Statutes

Title XXXII REGULATION OF PROFESSIONS AND OCCUPATIONS	Chapter 473 PUBLIC ACCOUNTANCY Entire Chapter	SECTION 312 Continuing education.
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473.312 Continuing education.—

(1)(a) As part of the license renewal procedure, the board shall by rule require Florida certified public accountants to submit proof satisfactory to the board that during the 2 years prior to application for renewal, they have successfully completed not less than 48 or more than 80 hours of continuing professional education programs in public accounting subjects approved by the board. The board may prescribe by rule additional continuing professional education hours, not to exceed 25 percent of the total hours required, for failure to complete the hours required for renewal by the end of the reestablishment period.

(b) Not less than 25 percent of the total hours required by the board shall be in accounting-related and auditing-related subjects, as distinguished from federal and local taxation matters and management services.

(c) Not less than 5 percent of the total hours required by the board shall be in ethics applicable to the practice of public accounting. This requirement shall be administered by providers approved by the board and shall include a review of the provisions of chapter 455 and this chapter and the related administrative rules.

(2) Programs of continuing professional education approved by the board shall be formal programs of learning which contribute directly to the professional competency of an individual following licensure to practice public accounting and may be any of the following:

(a) Professional development programs of the American Institute of Certified Public Accountants, state societies of certified public accountants, or other organizations.

(b) Technical sessions at meetings of the American Institute of Certified Public Accountants, state societies, chapters, or other organizations.

(c) University and college courses.

(d) Formal organized in-firm education programs.

(3) The board shall adopt rules establishing the continuing education requirements for Florida certified public accountants who are engaged in the audit of a governmental entity. The board shall approve subjects directly related to the governmental environment and to governmental auditing for purposes of satisfying the requirement of this subsection.

(4) For the purposes of maintaining proper continuing education requirements for renewal of licensure under this chapter, the board may appoint a Continuing Professional Education Advisory Committee, which shall be composed of one member of the board, one academician on the faculty of a university in this state, and six certified public accountants.

History.—ss. 10, 25, ch. 79-202; s. 345, ch. 81-259; ss. 2, 3, ch. 81-318; ss. 6, 10, 11, ch. 85-9; s. 3, ch. 87-221; s. 2, ch. 89-87; s. 4, ch. 91-429; s. 7, ch. 98-340; s. 3, ch. 2004-87; s. 2, ch. 2007-139; s. 11, ch. 2009-54.

CHAPTER 61H1-33
REESTABLISHMENT OF PROFESSIONAL KNOWLEDGE AND COMPETENCY

61H1-33.001	Certified Public Accountants Required to Comply with this Chapter
61H1-33.002	Organization and Administration
61H1-33.003	Continuing Professional Education
61H1-33.0031	Continuing Professional Education/Ethics
61H1-33.0032	Board Approval of CPA Ethics Continuing Education by Providers
61H1-33.0033	Obligations of CPA Ethics Course Continuing Education Providers
61H1-33.0034	Evaluation of CPA Ethics Course Providers
61H1-33.00341	Duration of CPA Ethics Course Provider Status
61H1-33.00342	CPA Ethics Courses – Standards for Approval of Courses
61H1-33.0035	Continuing Professional Education/Governmental Auditing
61H1-33.006	Inactive or Delinquent Florida Certified Public Accountants Who Desire to Become Active Licensees
61H1-33.0065	Exemption from Renewal Requirements for Spouses of Members of the Armed Forces of the United States

61H1-33.001 Certified Public Accountants Required to Comply with this Chapter.

(1) Each Florida certified public accountant shall be required to reestablish his/her professional knowledge and competency in conformity with this rule by the completion of continuing professional education programs.

(2) Each Florida certified public accountant shall commence his/her reestablishment period on the date indicated on his/her Florida certificate. The initial designated reestablishment period for such Florida certified public accountant shall end on the third June 30th following the date indicated on his/her Florida certificate. Each succeeding reestablishment period shall begin on July 1, and end on June 30, two years thereafter.

(3) See Rule 61H1-33.006, F.A.C., for reinstatement of inactive Florida certified public accountants who desire to become active Florida certified public accountants, and the requirements related to continuing professional education.

Rulemaking Authority 473.304, 473.312, 473.313 FS. Law Implemented 473.311, 473.312, 473.313 FS. History—New 12-4-79, Amended 2-3-81, 12-19-82, Formerly 21A-33.01, Amended 4-8-86, Formerly 21A-33.001, Amended 5-24-07, 11-18-07, 12-10-09.

61H1-33.002 Organization and Administration.

There is created the Committee on Continuing Professional Education. Subject to the approval of the Board, said Committee shall:

(1) Evaluate and determine, either prospectively or retrospectively, whether specific courses, programs, education and training qualify as formal programs of learning which contribute directly to professional competency of an individual following licensure to practice public accounting, and the credit to be granted therefore;

(2) Determine in individual cases whether professional knowledge and competency have been reestablished by virtue of the completion of such programs; and

(3) Audit the continuing professional education records of Florida certified public accountants on a sample basis from time to time.

Rulemaking Authority 473.304, 473.312 FS. Law Implemented 473.312 FS. History—New 12-4-79, Amended 2-3-81, 7-2-85, Formerly 21A-33.02, 21A-33.002, Amended 10-26-09.

61H1-33.003 Continuing Professional Education.

(1)(a) In any given reestablishment period, each current/active Florida certified public accountant must have completed at any time or times during the two-year period, at least 80 hours of educational instruction or training in public accounting subjects or courses of study, as defined hereinafter, of which at least 20 hours must have been in accounting-related and/or auditing-related subjects and of which no more than 20 hours may be in behavioral subjects and at least four hours shall be in Florida Board-approved ethics.

(b) Florida certified public accountants who do not meet the requirements by June 30th will be granted an automatic extension until September 15th provided the Florida certified public accountant completes an additional 8 hours in Accounting and Auditing subjects. An automatic extension will be granted until December 31st provided the Florida certified public accountant completes an additional 16 hours in Accounting and Auditing subjects.

(2) Educational instruction or training in public accounting subjects or courses of study is hereby defined as formal programs of learning, as defined below, which contribute directly to professional competency following licensure to practice public accountancy. Unless otherwise approved by the Board pursuant to Section 120.542, F.S., subjects or courses of study qualifying an individual for the purpose of this rule shall be limited to:

(a) Accounting and auditing subjects to consist of:

1. Accounting-related subjects or courses, including, but not limited to, financial accounting (including current authoritative literature in generally accepted accounting principles in the United States), and accounting for specialized industries.

2. Auditing-related subjects or courses, including, but not limited to, general auditing theory and practice (including current authoritative literature in generally accepted auditing standards in the United States), auditing for specialized industries (including governmental auditing requirements) and audit applications to computers and information systems; and other category courses to consist of:

(b) Technical business subjects to consist of:

1. Taxation.

2. Management services and management advisory services.

3. General business including, but not limited to, economics, business law, production or operational systems, marketing, finance, quantitative applications in business and business policy, and computers and information systems without audit applications; and

(c) Behavioral subjects to consist of:

1. Oral and written communications.

2. The social environment of business.

3. Administration of a public accounting practice including, but not limited to, behavioral sciences, managerial effectiveness and management by objectives.

(3) Effective July 1, 1999, educational instruction or training in public accounting subjects or courses of study is hereby defined as formal programs of learning as defined below, which contribute directly to professional competency following licensure to practice public accountancy. Subjects or courses of study qualifying an individual for the purposes of this shall be limited to:

(a) Accounting and auditing subjects to consist of: Accounting and financial reporting subjects, the body of knowledge dealing with recent pronouncements of authoritative accounting principles issued by the standard-setting bodies, and any other related subject generally classified within the accounting discipline. Subjects include auditing subjects related to the examination of financial statements, operations systems, and programs; the review of internal and management controls; and the reporting on the results of audit findings, compilation and review. It also includes assurance services that relate to Standards for Attest Engagements.

(b) Technical business subjects to consist of:

1. Taxation including tax compliance and tax planning.

2. Consulting services including management advisory services; personal financial planning services; planning and control systems dealing with planning, organizing and controlling any phase of individual financial activity or business activity; designing, implementing, and evaluating operating systems as well as business advisory services and personal financial planning.

3. Management including practice management for the public practitioner; financial management of an organization including information systems, budgeting and asset management, planning, buying and selling businesses, contracting for goods and services and foreign operation; budgeting; cost analysis; human resource management; and financial management.

4. Specialized knowledge and applications including subjects related to specialized industries such as not for profit organizations, health care, oil and gas.

(c) The ethics courses shall be obtained from a provider approved pursuant to Rule 61H1-33.0032, F.A.C., and consist of:

1. A review of Chapters 455 and 473, F.S., and the related administrative rules.

2. The ethics course may include other subjects including but not limited to: ethical conduct, core values and competencies, professional responsibility, responsibility to clients and the public, case studies that require the application of ethics principles, national professional standards and interpretations, and appropriate national issues related to the practice of accounting.

(d) Behavioral subjects including oral and written communications and the social environment of business. All courses not covered above are considered behavior except for business meetings, social functions, committee service and courses in elementary accounting or basic mathematics which do not qualify for credit.

(4) Credit may be prorated by the sponsor for courses that cover more than one area of study by (1) prorating the amount of time

spent in each area or (2) awarding credit based on the lowest topic covered with accounting and auditing being the highest and behavioral the lowest. Therefore an eight-hour course that was 75% accounting and auditing and 25% management would receive six (6) hours of accounting and auditing credit and two (2) hours of technical business or eight (8) hours of all technical business. Hours cannot be prorated in less than one hour increments.

(5) In order for a Florida certified public accountant to receive credit for programs of learning, as defined above, the following formalities and further requirements must be met:

(a) Courses taken at institutions of higher education:

1. Higher education credit courses taken from an accredited institution as defined in subsection 61H1-27.001(1), F.A.C., shall be credited for continuing professional education purposes at the rate of 15 hours for each semester hour of higher education credit and 10 hours for each quarter hour of higher education credit, provided the number of contact hours (hours in the classroom) totals at least 90% of the continuing professional education credit so determined. Otherwise, continuing professional education credit shall be limited to the actual number of contact hours.

2. Higher education non-credit courses shall be credited for continuing professional education purposes equivalent to the actual number of contact hours.

3. Continuing professional education credit for instructing a higher education course shall be twice the credit which would have been granted participants for the first presentation of a specific course or program, the same as the credit granted a participant for the second presentation and none thereafter, except as permitted by subparagraph 61H1-33.003(5)(b)4., F.A.C.

4. No continuing professional education credit shall be permitted for attending or instructing accounting courses considered to be elementary.

(b) Other professional education or training:

1. Professional development courses shall be credited for continuing professional education purposes in full hours only, equivalent to the actual number of contact hours (hours in the classroom which must include at least fifty minutes of continuous participation) provided an outline (defined as a schedule of activity listing major topics of discussion) is prepared in advance and retained; a course is at least one contact hour in length; the course conducted by a qualified instructor, lecturer or discussion leader; and a record of registration and attendance is maintained. For this purpose, a one-day program will be granted eight hours credit if the total lapsed time is at least eight hours and the contact time is approximately 400 minutes. An instructor, lecturer or discussion leader will be considered qualified if, through formal training or experience, he has obtained sufficient knowledge of the subject matter to competently instruct the course. A course participant will be granted credit for only that portion of a course actually attended. If a record of registration and attendance is not maintained by the sponsoring organization, the course participant must be able to prove registration and attendance.

2. Formal organization in-firm educational programs shall be credited for continuing professional education purposes to the same extent and by the same requirements as other professional development courses.

3. Instructors, lecturers, panelists and discussion leaders for professional development courses and formal organized in-firm educational programs shall be credited for continuing professional education purposes at twice the credit granted participants for the first presentation of a specific course or program, the same as the credit granted a participant for the second presentation and none thereafter, except as permitted in subparagraph 61H1-33.003(5)(b)4., F.A.C. Co-panelists and co-discussion leaders shall be credited for the portion of specific course or program they must prepare to discuss and lead as a co-panelist or co-discussion leader.

4. To the extent course content has been substantially revised, the revised portion shall be considered a first presentation for the purposes of subparagraph 61H1-33.003(5)(b)3., F.A.C.

(6) Each Florida certified public accountant shall, as a part of the biennial licensure renewal, on or before December 31 prior to his/her biennial license renewal, report on forms prescribed by the Board, compliance with continuing professional education requirements completed during the applicable reestablishment period. Each Florida certified public accountant's documentation supporting such compliance shall be retained through the two years following a two-year reestablishment period. Documentation is to be retained to support evidence of completion of the required hours to enable a random audit by the Department of Business and Professional Regulation to determine compliance with the requirements. Documentation of each course shall be in a format to include course title and date, number of hours earned, attendee name, certified public accountant course provider name, number, and signature by the provider furnishing said certificate. If staff review or review by the Committee on Continuing Professional Education determines that courses are either improperly classified or do not otherwise meet the requirements of the chapter, then the Florida certified public accountant will be given 60 days from the date of notification to comply with the continuing professional

education requirements. Florida certified public accountants who complete the continuing professional education requirements timely but who are found to be deficient after December 31 of their renewal year must correct the error and pay a \$50 fine within 60 days.

(7) Sponsors of formal correspondence or other individual study technical business and accounting and auditing programs must be approved by the National Association of State Board of Accountancy Quality Assurance Service.

Rulemaking Authority 455.213(6), 455.2177, 455.2178, 455.2179, 473.304, 473.305, 473.312 FS. Law Implemented 455.213(6), 455.2177, 455.2178, 455.2179, 473.305, 473.312(1)(a), (c) FS. History—New 12-4-79, Amended 2-3-81, 4-5-83, 10-19-83, 8-20-85, Formerly 21A-33.03, Amended 9-18-88, 7-7-92, 12-2-92, Formerly 21A-33.003, Amended 12-14-93, 1-26-98, 12-17-00, 8-21-01, 3-21-05, 5-18-05, 7-10-05, 7-23-06, 12-10-09, 7-7-10, 11-7-12, 8-7-13.

61H1-33.0031 Continuing Professional Education/Ethics.

(1) A Florida certified public accountant must complete no less than four of the total hours required for any reestablishment period in ethics from a provider approved pursuant to Rule 61H1-33.0032, F.A.C.

(2) In the event the four hours is completed in two modules, Florida certified public accountants must complete the four-hour requirement with the same provider.

Rulemaking Authority 455.213(6), 473.304, 473.312 FS. Law Implemented 455.213(6), 473.312(1)(a), (c) FS. History—New 5-18-05, Amended 10-26-09.

61H1-33.0032 Board Approval of CPA Ethics Continuing Education by Providers.

(1) Applicants for continuing education provider status to offer courses which satisfy the four (4) hour certified public accountant continuing education ethics requirement in Section 473.312(1)(c), F.S., must meet the requirements of subsections (2) and (3) of this rule.

(2) To demonstrate the education and/or the experience necessary to offer courses which satisfy the CPA continuing education ethics requirement, an applicant for continuing education provider status must be a regionally accredited educational institution, a commercial educator, a governmental agency, a state or national certified public accounting professional association whose purpose includes fostering ethical conduct and promoting standards of independence, integrity, and objectivity in the certified public accounting profession, a certified public accountant who has not been disciplined by the Board, or a certified public accounting firm.

(3) To allow the Board to evaluate an application for continuing education provider status, the applicant must submit the following:

(a) The name, address and telephone number of the prospective provider;

(b) A description of the ethics course the provider expects to conduct for credit to include a review of Chapters 455 and 473, F.S., the related administrative rules, and topics including but not limited to: ethical conduct, core values and competencies, professional responsibility, responsibility to clients and the public, case studies that require the application of ethics principles, national professional standards and interpretations, and appropriate national issues related to the practice of accounting;

(c) A description of the staffing capability of the applicant;

(d) A sample of intended course materials;

(e) A list of anticipated locations to conduct the courses;

(f) A complete course curriculum;

(g) A description of the means the applicant will use to update the course in response to rule or law changes; and

(h) Documentation that the ethics course instructor will notify the ethics course provider of any disciplinary action taken against the instructor by the Board.

(4) Should the Board determine that the provider has failed to provide appropriate continuing education services, it shall request that the Department issue an order requiring the provider to cease and desist from offering certified public accountant ethics continuing education courses and shall request that the Department revoke any approval of the certified public accountant ethics course provider granted by the Board.

(5) No provider may allow any certified public accountant to conduct any certified public accountant ethics course or seminar offered by the provider if that certified public accountant has been disciplined. Upon receipt of notice from an instructor that the instructor has been disciplined, the provider shall, within fourteen (14) days, write to the Board office and confirm that the instructor is no longer conducting certified public accountant ethics courses or seminars offered by the provider. For the purpose of this

subsection, a letter of guidance shall not constitute "discipline."

(6) The Board retains the right and authority to audit and/or monitor programs and review records and course materials given by any provider approved pursuant to this rule. The Board shall revoke the approved status of the ethics course provider or reject individual ethics courses given by an ethics course provider if the provider disseminated any false or misleading information in connection with the continuing education programs, or if the provider fails to conform to and abide by the rules of the Board.

Rulemaking Authority 455.213(6), 455.2178, 455.2179, 473.304, 473.312 FS. Law Implemented 455.213(6), 455.2178, 455.2179, 473.312(1)(a), (c) FS. History—New 6-30-05, Amended 9-24-07, 12-11-07, 12-10-09, 1-7-13.

61H1-33.0033 Obligations of CPA Ethics Course Continuing Education Providers.

To maintain an approved status as an ethics course continuing education provider, the provider must:

(1) Retain documentation that the course instructor is a certified public accountant who has practiced in a public accounting firm for five of the last ten years, whose background, training, education or experience makes it appropriate for the person to teach the course.

(2) Require each Florida certified public accountant to complete the entire four-hour certified public accountant ethics course requirement in order to receive a certificate of attendance. Offer the four-hour certified public accountant ethics course in one module of four credit hours or two modules of two credit hours.

(3) Furnish each attendee with an individual certificate of attendance in a format to include course title and date, number of hours earned, attendee name, certified public accountant ethics course provider name, number, and signature by the provider furnishing said certificate. An attendance record shall be maintained by the provider for four years and shall be available for inspection by the Board. Providers shall maintain security of attendance records and attendance records.

(4) Ensure that all promotional material for courses or seminars offered to Florida certified public accountant for credit contain the certified public accountant ethics course provider number and course title.

(5) Allow only one hour credit for each hour of classroom, audio or video instruction, an "hour of classroom, audio or video instruction" being a minimum of 50 minutes instruction or presentation.

(6) Allow only one hour of credit for each "hour of correspondence study." The "hour of correspondence study" must be based on the average completion time of each course as established by the provider.

(7) Provide a written examination to each participating Florida certified public accountant in correspondence study courses. In order to complete the course, the Florida certified public accountant must sign and date the examination and receive a minimum grade of eighty percent (80%). If a Florida certified public accountant fails the examination, the Florida certified public accountant will be permitted to take the examination again in order to achieve a passing grade.

(8) Ensure that all correspondence or other individual study courses are approved by the National Association of State Boards of Accountancy Quality Assurance Service.

(9) Notify the Board within thirty (30) days of any change in the address or telephone number of the provider.

(10) Allow the Board to have access to information concerning courses or seminars conducted by the provider for continuing education credit.

Rulemaking Authority 455.213(6), 455.2178, 455.2179, 473.304, 473.312 FS. Law Implemented 455.213(6), 455.2178, 455.2179, 473.312(1)(a), (c) FS. History—New 5-18-05, Amended 10-26-09, 11-7-12.

61H1-33.0034 Evaluation of CPA Ethics Course Providers.

The Board or its designee reserves the right to evaluate continuing education ethics courses or seminars offered to certified public accountants for credit by the following methods:

(1) Observing such ethics courses or seminars; and

(2) Reviewing the files of the provider to gain information about any course or seminar offered to certified public accountants for ethics course credit.

Rulemaking Authority 120.55(1)(a)4., 455.213(6), 455.2178, 455.2179, 473.304, 473.312 FS. Law Implemented 455.213(6), 455.2178, 455.2179, 473.312(1)(a), (c) FS. History—New 5-18-05.

61H1-33.00341 Duration of CPA Ethics Course Provider Status.

(1) Continuing education providers are approved only for the biennium during which their application was received and approved. Providers must reapply for approved provider status at the beginning of each biennium. The biennium for continuing education providers ends on June 30th of each odd-numbered year.

(2) The Board shall notify certified public accountant ethics course providers at least ninety (90) days prior to the date of expiration of the provider status.

(3) A provider must reapply for approval at least sixty (60) days prior to the date of expiration of provider status in order to prevent a lapse in provider status.

Rulemaking Authority 120.55(1)(a)4., 455.213(6), 455.2178, 455.2179, 473.304, 473.312 FS. Law Implemented 455.213(6), 455.2178, 455.2179, 473.312(1)(a), (c) FS. History—New 5-18-05.

61H1-33.00342 CPA Ethics Courses – Standards for Approval of Courses.

(1) In order to meet the requirements of paragraph 61H1-33.0032(3)(b), F.A.C., each approved CPA Ethics Course Provider shall submit a syllabus of each ethics course for which it seeks Board approval. The syllabus shall include a description of the manner by which the course (including its various components) meets the requirements of this rule.

(2) The syllabus of the course shall include the following:

(a) A description of each subject to be covered during the presentation of the course with the estimated time to be spent addressing each subject, the individual(s) who will be responsible for presenting each subject, a listing of the sources (through a bibliography or notes) from which the course material addressing each subject is drawn, and any tests, quizzes or exercises provided during the offering of the course;

(b) The manner in which the course complies with the requirements of Section 473.312(1)(c), F.S. In order to meet this requirement the course shall be limited to addressing the ethical and professional responsibilities of CPAs with emphasis on ethical conduct, core values and competencies, professional responsibility, responsibility to clients and the public, case studies that require the application of ethics principles, national professional standard and interpretations, and appropriate national issues related to the practice of accounting. Practice-oriented programs are preferred insofar as such programs involve the CPA in the process of the practice of public accountancy. Courses should be structured to confront the question, "How will you handle this situation when it occurs in your practice?"

(c) The course shall include a review of Chapters 455 and 473, F.S., and the related administrative rules.

(3) A provider may meet the requirements set forth herein through various generally accepted methodologies. Thus, lectures, case studies, discussion groups, interactive studies and other recognized methods may be utilized. Additionally, providers may target specific areas of CPA practice in each course submitted for approval. A provider may offer a course module which, for example, addresses CPA ethics and professionalism in Tax Practice or Managerial Accounting as well as other areas of practice.

(4) Upon receipt of the syllabus required in subsection 61H1-33.0342(2), F.A.C., the Board will review the course to determine whether it complies with this rule, the provisions of Section 473.312(1), F.S., and the CPA Ethics Provider Rules set forth in Chapter 61H1-33, F.A.C. If the Board rejects a course in whole or in part, a provider will be offered the option of modifying the course or withdrawing the course and resubmitting the course for approval. However, all courses submitted for approval must be submitted at least sixty (60) days prior to either the ending of the provider's approval as a CPA Ethics Course Provider as set forth in Rule 61H1-33.00341, F.A.C., or sixty (60) days prior to the initial date the course will be taught—whichever occurs earlier.

Rulemaking Authority 455.2177, 455.2178, 455.2179, 473.304, 473.312 FS. Law Implemented 455.2177, 455.2178, 455.2179, 473.312(1)(a), (c) FS. History—New 7-10-05.

61H1-33.0035 Continuing Professional Education/Governmental Auditing.

(1) Any certified public accountant who is involved in governmental audits shall be required to comply with the continuing professional education (CPE) requirements imposed by Government Auditing Standards 2007 commonly referred to as the "Yellow Book," effective July 2007, which is hereby incorporated by reference, if during the engagement:

(a) The certified public accountant is the in charge person, or

(b) The certified public accountant reviews the working papers or report or both, or

(c) The certified public accountant supervises others, or

(d) The certified public accountant is the only certified public accountant performing the work.

(2) Certified public accountants conducting audits controlled by either paragraph (a) or (b) below, shall be required to take 24 hours of governmental CPE and shall be required to comply with the CPE requirements imposed by Government Auditing Standards.

(a) Government Auditing Standards, 2007 Revision, issued by the U.S. Government Accountability Office, which may be obtained at <http://www.gao.gov/govaud/ybk01.htm>.

(b) The Rules of the Auditor General, Chapter 10.550, which may be obtained at <http://www.myflorida.com/audgen/pages/rules.htm>.

(3) The required 24 hours of governmental CPE may be used to meet the courses required in paragraph 61H1-33.003(1)(a), F.A.C., provided they meet the requirements of subsection 61H1-33.003(2), F.A.C.

Rulemaking Authority 473.312(3) FS. Law Implemented 473.312(3) FS. History—New 8-22-90, Amended 7-7-92, Formerly 21A-33.0035, Amended 5-26-96, 4-13-08, 12-10-09.

61H1-33.006 Inactive or Delinquent Florida Certified Public Accountants Who Desire to Become Active Licensees.

(1) Each Florida certified public accountant who has requested inactive status or became delinquent, as distinguished from a Florida certified public accountant whose certificate or license has been suspended, who desires to become an active Florida certified public accountant, i.e., engage or reengage in the practice of public accounting in Florida, shall apply for such reactivation by completing and submitting to the Department Form DBPR CPA 5011-1 – Request for Change of Status, hereby incorporated by reference and effective 7-23-06; copies of the form may be obtained from the Board office. However, if a license is delinquent on January 1 for failure to comply with Rule 61H1-33.003, F.A.C., through failure to report compliance with continuing professional education requirements by the immediately prior December 31st, a Florida certified public accountant may reactivate, pursuant to Section 473.311, F.S., by certifying the required hours have been completed, paying the fees required by Rules 61H1-31.003, 31.004 and 31.006, F.A.C., by March 15 of the same year of the delinquency.

(2) Each such application shall demonstrate successful completion of the required number of continuing professional education hours.

(a) Florida certified public accountants who have been inactive or delinquent for one reporting period following their most recent current/active license, shall satisfy the requirements of their most recent biennium while active plus 40 additional CPE hours in the following manner:

Accounting/Auditing	Ethics	Behavioral	Total Hours
At least 20 hours	At least 4 hours	No more than 20 hours	120 Hours

(b) Florida certified public accountants who have been inactive for no more than two reporting periods since maintaining a current/active license, shall satisfy the requirements of their most recent biennium plus 120 additional CPE hours in the following manner:

Accounting/Auditing	Ethics	Behavioral	Total Hours
At least 30 hours	At least 4 hours	No more than 20 hours	200 Hours

(c) Florida certified public accountants who have been inactive for three or more reporting periods since maintaining a current/active license, shall satisfy the requirements of their most recent biennium plus 200 additional CPE hours in the following manner:

Accounting/Auditing	Ethics	Behavioral	Total Hours
At least 40 hours	At least 4 hours	No more than 20 hours	280 Hours

(3) Florida certified public accountants who have been inactive for two or more reporting periods since maintaining a current/active license must complete at least sixty percent (60%) of the necessary hours in the twenty-four (24) months immediately preceding the date of the application for reactivation and the remaining forty percent (40%) may have been completed no more than forty-eight (48) months immediately preceding the date of the application for reactivation.

(4) The first establishment period after reactivation shall commence on the following June 1st and the initial designated reestablishment date shall be the third June 30th following reactivation.

Rulemaking Authority 455.271, 473.304, 473.311, 473.312, 473.313 FS. Law Implemented 455.271, 473.311, 473.312, 473.313, 473.323(1)(i) FS. History—New 12-4-79, Amended 2-3-81, 11-6-83, 3-29-84, 8-20-85, Formerly 21A-33.06, Amended 4-8-86, 12-28-89, 10-16-90, Formerly 21A-33.006, Amended 12-14-93, 5-26-96, 7-23-06, 12-10-09, 7-7-10, 12-3-13.

61H1-33.0065 Exemption from Renewal Requirements for Spouses of Members of the Armed Forces of the United States.

A Florida certified public accountant who is the spouse of a member of the Armed Forces of the United States and was caused to be absent from the State of Florida because of the spouse's duties with the armed forces shall be exempt from all licensure renewal provisions under these rules during such absence. The Florida certified public accountant must show proof to the Board of the absence and the spouse's military status.

Rulemaking Authority 455.02(2) FS. Law Implemented 455.02(2) FS. History—New 7-13-04, Amended 10-26-09.