

**RULES OF THE COLORADO STATE BOARD OF ACCOUNTANCY
EFFECTIVE JANUARY 1, 2010**

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STATEMENT OF BASIS AND PURPOSE

The authority for the adoption of rules is 12-2-104(1)(b) and (c), C.R.S., and the purpose of repealing the Board's current Regulations, Effective August 30, 1978 and re-enacting new rules entitled Rules of Colorado State Board of Accountancy is to bring the rules into conformance with the substantial changes in Title 12, Article 2 occasioned by the passage of House Bill 1258 which became effective July 1, 2000 and Senate Bill 145 which became effective July 1, 2005.

**CHAPTER 1
ORGANIZATION AND ADMINISTRATION**

1.1 DEFINITIONS.

- A. AICPA. American Institute of Certified Public Accountants.
- B. Board. The Colorado State Board of Accountancy.
- C. Client. A client means a person or entity that agrees with a certificate holder to receive any professional service.
- D. Examination. The Uniform CPA Examination.
- E. Financial Statements. Statements and footnotes related thereto that purport to show actual or anticipated financial position which relates to a point in time, or results of operations, cash flow, or changes in financial position which relate to a period of time, on the basis of generally accepted accounting principles or another comprehensive basis of accounting. The term includes specific elements, accounts or items of such statements, but does not include incidental financial data included in management advisory services reports to support recommendations to a client, nor does it include tax returns and supporting schedules.
- F. He, His, Him. Masculine pronouns when used also include the feminine and the neuter.
- G. NASBA. National Association of State Boards of Accountancy.
- H. Practice of Public Accounting. Offering to perform or the performance by a certificate holder or a holder of a practice privilege, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements, or of one or more types of management advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters.
- I. Practice Privilege. The privilege for an out-of-state CPA or CPA Firm to practice public accounting pursuant to, and subject to the conditions contained in, Section 12-2-121(2), C.R.S.
- J. Principal Place of Business. The office location designated by the out-of-state CPA for purposes of substantial equivalency.
- K. Professional Ethics Course and Examination. Pursuant to Section 12-2-109(1)(b). C.R.S., the professional ethics course and examination shall mean a course of study concerning the subject of professional ethics and the related examination prepared and administered by the AICPA.
- L. Professional Services. Any services performed or offered to be performed by a certificate holder or a holder of a practice privilege for a client in the course of the practice of public accounting.
- M. Certificate Holder. A person granted a Colorado Certified Public Accountant certificate pursuant to the requirements in Article 2 of Title 12, C.R.S.
- N. Registrant. A firm engaged in the practice of public accounting granted registration pursuant to the requirements in Article 2 of Title 12, C.R.S.
- O. Firm. A firm shall mean a business entity composed of a Certified Public Accountant(s) engaged in the practice of public accounting as a domestic or foreign partnership, single owner professional corporation or single member limited liability company, corporation, professional corporation, registered limited liability partnership, limited liability limited partnership, limited partnership or limited liability company.
- P. Holding Out. Any action initiated by a certificate holder or holder of a practice privilege that informs others of the holder's status as a CPA in Colorado. This includes, but is not limited to, any oral or written representation, such as business cards or letterhead, the display of a certificate evidencing a CPA designation, the listing as a CPA in Colorado directories or on the Internet.
- Q. Employment. Includes the formal relationship between an employer and employee and any other relationship created between public accounting professionals through a contract or a written or oral agreement to perform public accounting services.
- R. Substantial Equivalency. A determination by the Board of Accountancy or its designee that the education, examination and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed the education, examination and experience requirements contained in the Uniform Accountancy Act or that an individual CPA's education, examination and experience qualifications are comparable to or exceed the education, examination and experience requirements contained in the Uniform Accountancy Act. In ascertaining substantial equivalency as used in these rules, the Board shall take into account the qualifications without regard to the sequence in which experience, education, or examination requirements were attained.
- S. Other Professional Standards. For the purpose of these Rules, other Professional Standards shall include, but are not limited to:
 - 1. Statements on Standards for Consulting Services
 - 2. Statements on Standards for Tax Services
 - 3. Statements on Standards for Accounting and Review Services
 - 4. Statements on Standards for Attestation Engagements
 - 5. Statements on Standards for Valuation Services

The statements at 1.1.S (1-5) were issued by the AICPA and in effect as of January 1, 2009. This Rule does not include later amendments to or editions of the professional standards. Copies of professional standards may be inspected in the

offices of the Board during regular business hours. The public should contact the Board's Program Director at 1560 Broadway, Suite 1350, Denver, CO 80202 to examine the professional standards.

- T. AICPA's Code of Professional Conduct. The Code of Professional Conduct issued by the AICPA and in effect as of January 1, 2009. This Rule does not include later amendments to or editions of the AICPA's Code of Professional Conduct. Copies of the AICPA's Code of Professional Conduct may be inspected in the offices of the Board during regular business hours. The public should contact the Board's Program Director at 1560 Broadway, Suite 1350, Denver, CO 80202 to examine the AICPA's Code of Professional Conduct.
- U. Auditing Standards. Generally accepted auditing standards issued by the AICPA, the Public Company Accounting Oversight Board (PCAOB) and government auditing standards issued by the United States Government Accountability Office (GAO) and in effect as of January 1, 2009. This Rule does not include later amendments to or editions of the auditing standards. Copies of the auditing standards may be inspected in the offices of the Board during regular business hours. The public should contact the Board's Program Director at 1560 Broadway, Suite 1350, Denver, CO 80202 to examine the auditing standards.
- V. Accounting Principles. Generally accepted accounting principles determined by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB), and the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and in effect as of January 1, 2009. This Rule does not include later amendments to or editions of the accounting standards setting forth the accounting principles. Copies of the standards setting forth the accounting principles may be inspected in the offices of the Board during regular business hours. The public should contact the Board's Program Director at 1560 Broadway, Suite 1350, Denver, CO 80202 to examine the standards setting forth the accounting principles.

Copies of the above referenced publications may also be viewed at the following locations:

- Denver Public Library (Central Branch)
- Any State publication depository
- Colorado Society of CPAs.

1.2 MEETINGS.

- A. Meetings of the Board shall be held at intervals necessary to transact the business of the Board or upon the call of the president or request by a majority of the members.
- B. The election of a president, as required by 12-2-104(1)(a), C.R.S., shall be held annually in August.
- C. The president shall preside at all meetings and shall perform such other duties as the Board may direct. In the absence or inability of the president to act, a majority of the members attending a duly called meeting shall appoint a member to preside.
- D. The Board shall follow Robert's Rules of Order, to the extent that the rules do not conflict with state or federal statutes or rules, in the conduct of its business.
- E. Except as otherwise provided by law, all regular meetings of the Board are open to the public, who may, at the discretion of the Board, participate in any one of the following ways: (1) by requesting in writing to the Board that they be included on the agenda; (2) by written invitation of the Board; (3) by signing a register to be available in the board meeting room on the day of the meeting and indicating thereon those areas of the agenda on which they wish to speak; (4) by verbal invitation of the Board to members of the audience at a board meeting. The Board may establish a time limit for presentations by the public, and the presiding officer may exclude from the meeting room any person who is disruptive, abusive or disorderly.

Statement of Basis and Purpose - 05/07

The statutory basis for amending rule 1.2.D. is section 24-4-103 and 12-2-104(1)(b) and (c), C.R.S. The purpose for the amended rule 1.2.D. is to clarify that federal or state law, including the Open Meetings Law, section 24-6-402, C.R.S., take precedence over Robert's Rules of Order.

1.3 CONFERRING WITH BOARD MEMBERS.

In the event any person contacts a Board member regarding any matter applicable to the Colorado Accountancy Law or the rules, any expression of opinion by that Board member will be exclusively his opinion and will in no way commit the Board.

1.4 COMMITTEES.

The Board may appoint such committees as it deems necessary to effectively administer, implement and carry out the provisions of these rules. The committees shall be guided and assisted administratively by the Board's staff. The action of the committee shall be deemed to be the action of the Board only when that action is adopted and ratified by the Board.

1.5 NOTICES.

- A. Certificate Holders
A certificate holder shall notify the Board, in writing, within 30 days of any change of status (active or inactive), change of address (business or residence) or employment.
- B. The partner, shareholder, or member designated by the firm pursuant to 12-2-117(2)(a)(III) shall notify the board, in writing, within 30 days of any change in the identities and numbers of partners, shareholders, members, managers or officers, or the location or addition/ deletion of places of business or termination of a firm.

C. Renewal Notices

The Board mails applications for renewal of certificates and registrations according to a schedule established by the Division of Registrations pursuant to section 24-34-102(8), C.R.S. to certificate holders and registrants at the last address furnished to the Board. Failure to receive such a notice does not relieve the certificate holder or the registrant of the obligation to pay the renewal fee and submit appropriate documentation in support of the renewal application such as continuing education requirements. Pursuant to section 24-34-102(8), C.R.S., there is a 60 day grace period from the expiration date of the certificate within which to pay the renewal fee, plus penalty. Additional information about current renewal cycles and expiration dates is available on the board website.

Statement of Basis and Purpose - 4/97

The basis for the adoption of rules is Section 12-2-104(1)(b), C.R.S. The purpose of amending Rule 1.5 - Notices is to clarify the notice requirements for certificate holders, firm registrants and renewal notices.

Statement of Basis and Purpose - 11/00

The basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(b). The purpose of amending this rule is to comply with the changes made by Sunset to 12-2-117(2)(a)(III).

Statement of Basis and Purpose - 05/07

The statutory basis for the proposed new rule is section 24-4-103 and 12-2-104(1)(b) and (c), C.R.S. The purpose for the amended rule 1.5.C. is to clarify and define the renewal cycle and to insure that the rule complies with section 24-34-102(8), C.R.S. The amendment also insures that this rule is consistent with other Division of Registrations professions.

1.6 GENERAL INFORMATION CONCERNING CPA CERTIFICATES.

- A. Every certificate, while it remains in the possession of the holder, shall be preserved by him, but such certificate shall nevertheless always remain the property of the Board. In the event that the certificate is suspended or revoked, it shall be delivered by the holder to the Board.
- B. In the case of the loss of a certificate originally issued by the Board, a duplicate will be issued upon written request and payment of a fee.
- C. Requests for reissuance of a certificate because of a change of name shall be made on a form prescribed by the Board, accompanied by the appropriate fee, the original certificate and a copy of the document legalizing the name change.

1.7 Expiration of Certificates and Registrations – Repealed 05/07

Statement of Basis and Purpose - 4/97

The basis for the adoption of rules is Section 12-2-104(1)(b), C.R.S. The purpose of amending Rule 1.7 - Expiration of Certificates and Registrations is to identify the status of certificates that are to be renewed and to include information concerning the renewal of firm registrations.

Statement of Basis and Purpose - 05/07

The statutory basis for the repeal of Rule 1.7 is section 24-4-103 and 12-2-104(1)(b) and (c), C.R.S. The purpose for the repeal of Rule 1.7 is to insure that the rule complies with section 24-34-102, C.R.S., which provides for renewal and reinstatement of certificates and other professional and occupational licenses. This repeal also provides flexibility to the Division and to the Board to adjust renewal dates if necessary.

CHAPTER 2
EDUCATIONAL REQUIREMENTS FOR EXAMINATION AND CERTIFICATION
C.R.S., 12-2-108, 12-2-109, 12-2-111, 12-2-112 and 12-2-113

2.1 GENERAL INFORMATION.

- A. Conversion of quarter hours to semester hours. For purposes of these rules, 3 quarter hours shall be equivalent to 2 semester hours.
- B. Transcripts. The applicant's claim to college or university credits must be confirmed by an official transcript of credit forwarded by the institution to the Board's office.

2.2 ACCREDITED COLLEGE OR UNIVERSITY.

- A. A college or university will be considered to be an "accredited college or university" under 12-2-109(1)(a)(I) and (c), C.R.S., if the college or university is accredited by one of the six accrediting agencies or its successor agency as follows: Middle States Association of Colleges and Schools, North Central Association of Colleges and Schools, New England Association of Schools and Colleges, Northwest Association of Schools and Colleges, Southern Association of Colleges and Schools and Western Association of Schools and Colleges.
- B. If the college or university does not meet the requirements set forth in 2.2(A) the board may investigate and may accredit such college or university upon request of that institution and/or applicant. For this purpose, the board shall apply the criteria for accreditation used by any one of the six regional accrediting agencies or its successor agency as noted in 2.2(A). In the matter of colleges or universities located outside the United States or its territories, the Board may also request that the candidate submit his transcript to a generally accepted evaluation service that is a member of the National Association of Credential Evaluation Services (NACES) for assistance in either evaluating accreditation of the college or university or in determining whether the coursework would be the equivalent of a concentration in accounting.
- C. If the college or university is not accredited by one of the six regional accrediting agencies as noted in 2.2(A), the board may accept the degree if the candidate can provide satisfactory documentation that the degree would be accepted into a graduate program at a college or university accredited by one of the six regional accrediting agencies as noted in 2.2(A); or can provide satisfactory documentation that the coursework from the non-accredited college or university would be accepted for credit at an accredited college or university accredited by one of the six regional accrediting agencies as noted in rule 2.2(A).

Statement of Basis and Purpose - 10/93, 11/00

The basis for the adoption of Rules is 12-2-102(1)(b) and 12-2-104(1)(b), C.R.S., and the purpose of amending Rule 2.2 B is to require foreign evaluation services to be members of the National Association of Credential Evaluation Services (NACES), an entity that specializes in accrediting such services.

Statement of Basis and Purpose - 4/03

The basis for the adoption of Rules is 12-2-102(1)(b) and 12-2-104(1)(b), C.R.S., and the purpose of amending Rule 2.2 B is to reinsert the first two sentences of that paragraph which were lost from the CCR. The Board believes these sentences were added before 1993 and have appeared in all printed materials from the Board office since that time.

2.3 APPROVED ACCOUNTING PROGRAM.

- A. If the college or university is accredited as provided in rule 2.2, it will be deemed to have fulfilled the requirements of 12-2-112, C.R.S.
- B. The Board may consider study in any school if the applicant can provide evidence that such study would be acceptable for credit by a college or university whose accounting program has been approved by the Board as described in rule 2.2(C).

Statement of Basis and Purpose

The basis for the adoption of rules is 12-2-102(1)(b) and 12-2-104(1)(b), C.R.S. and the purpose of adopting the amendment to rule 2.3(B) is to provide guidance to the reader with regard to the standards for acceptance of academic coursework.

2.4:1 CONCENTRATION IN ACCOUNTING OR THE EQUIVALENT UNDER 12-2-109(1)(a)(I) -- Repealed 04/97.

Statement of Basis and Purpose - 4/97

The basis for the adoption of rules is Section 12-2-104(1)(b), C.R.S. The purpose of repealing Rule 2.4:1 is that the requirements delineated in the rule are no longer applicable.

2.4:2 CONCENTRATION OR THE EQUIVALENT IN ACCOUNTING UNDER 12-2-109(1)(a)(I).

These education requirements apply to persons who received their baccalaureate degree and otherwise completed the following education requirements before July 1, 1993 and who apply for certification after July 31, 1991.

- A. At least 27 semester hours in accounting subjects, at least 3 semester hours of which must be in auditing. No more than 3 semester hours may be in accounting related computer and information systems. To receive credit for accounting related computer and information systems coursework, the transcripts must indicate an accounting program code, or the applicant must furnish other information to demonstrate an accounting related course.

- B. At least 21 semester hours in related courses in other areas of business administration such as business law, management, marketing, statistics, business communications, economics and finance. No more than 6 semester hours shall be in any one area.
- C. The courses required by paragraphs (A) and (B) above shall be taken at or acceptable for transfer by schools with approved accounting programs as set forth in rule 2.3.
- D. The three semester hours of auditing required in paragraph (A) must address the generally accepted auditing standards (GAAS) as defined in rule 1.1Q.

Statement of Basis and Purpose – 11/97

The basis for the adoption of rules is Section 12-2-104(1)(b) and 12-2-109(1)(a)(I), C.R.S. The purpose for amending Rule 2.4:2 is to clarify the language.

Statement of Basis and Purpose – 4/03

The basis for the adoption of rules is Section 12-2-104(1)(b) and 12-2-109(1)(a)(I), C.R.S. The purpose for amending Rule 2.4:2 is to clarify the audit requirement.

2.4:3 CONCENTRATION IN ACCOUNTING OR THE EQUIVALENT UNDER 12-2-109(1)(a)(I).

These education requirements apply to persons who receive their baccalaureate degree and otherwise complete the following education requirements after June 30, 1993.

- A. At least 27 semester hours in accounting subjects of which 21 semester hours must be in specialized accounting courses such as cost accounting, tax, intermediate accounting, accounting theory and advanced accounting. At least 3 of the 27 semester hours must be in auditing. To receive credit for accounting related coursework, the transcripts must indicate an accounting program code, or the applicant must furnish other information to demonstrate an accounting related course.
- B. At least 21 semester hours in related courses in other areas of business administration such as business law, management, marketing, statistics, business communications, economics and finance. No more than 6 semester hours shall be in any one area.
- C. The courses required by paragraphs (A) and (B) above shall be taken at or acceptable for transfer by schools with approved accounting programs as set forth in rule 2.3.
- D. The three semester hours of auditing required in paragraph (A) must address the generally accepted auditing standards (GAAS) as defined in rule 1.1Q.

Statement of Basis and Purpose – 11/97

The basis for the adoption of rules is Section 12-2-104(1)(b) and 12-2-109(1)(a)(I), C.R.S. The purpose for amending Rule 2.4:3 is to clarify the language.

Statement of Basis and Purpose - 11/00

The basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(b). The purpose of amending this rule is to comply with the changes made by Sunset to 12-2-104(1)(m).

2.4:4 CONCENTRATION IN ACCOUNTING OR THE EQUIVALENT UNDER 12-2-109(1)(a)(I) - Repealed – 11/00

Statement of Basis and Purpose - 11/00

The basis for repealing this rule by the State Board of Accountancy is section 12-2-104(1)(b). The purpose of repealing this rule is to comply with the repeal of 12-2-104(1)(m) made by Sunset.

2.5 EDUCATION IN LIEU OF EXPERIENCE UNDER 12-2-109(1)(c).

These education requirements apply to persons who choose the education in lieu of experience option to qualify for certification.

- A. A baccalaureate degree plus an additional 30 semester hours of non-duplicative study or a master's degree or other higher degree;
- B. At least 45 semester hours in accounting subjects (combination of undergraduate and graduate coursework) in such areas as elementary accounting, accounting theory, accounting practice, managerial accounting, cost accounting, tax accounting, not-for-profit accounting, auditing, governmental accounting and accounting related computer and information systems. Of the 45 semester hours, at least 6 semester hours must be in auditing. In order to receive credit for accounting related computer and information systems coursework, the transcripts must indicate an accounting program code, or the applicant may furnish other information to indicate an accounting related course.
- C. At least 36 semester hours of courses in business administration which may be in areas such as upper division economics; the legal and social environment of business; business law; marketing; finance; management; organizational, group and individual behavior; quantitative applications in business; and upper division written communication. No more than 9 semester hours shall be in any one area.
- D. The courses required by paragraphs (B) and (C) above shall be taken at or acceptable for transfer by one or more schools with approved accounting programs as defined in rule 2.3.
- E. The three semester hours of auditing required in paragraph (A) must address the generally accepted auditing standards (GAAS) as defined in rule 1.1Q. The remaining three hours may be in advanced auditing or a subset of basic auditing such as fraud auditing.

Statement of Basis and Purpose - 6/93

The basis for the adoption of rules is 12-2-104(1)(b) and 12-2-109(1)(a)(II), C.R.S. The purpose of amending paragraph A. of Rule 2.5 is to define the 30 additional semester hours as non-duplicative course work.

Statement of Basis and Purpose - 11/00

The basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(b). The purpose of amending Rule 2.5 is to bring it into agreement with the language in Rule 2.4:3.

Statement of Basis and Purpose - 4/03

The basis for the adoption of rules is Section 12-2-104(1)(b) and 12-2-109(1)(a)(I), C.R.S. The purpose for amending Rule 2.4:3 and 2.5 is to clarify the audit requirement and to re-insert 2.4:3 (C), which was lost from the CCR.

2.6 **RECIPROCITY -- EQUIVALENT EDUCATION QUALIFICATION.**

Pursuant to 12-2-113, C.R.S., the Board may accept 5 years experience as a certified public accountant in public practice in a jurisdiction other than Colorado as the equivalent of the education requirement of rule 2.4, if the applicant meets all other requirements including the experience requirements as defined in Chapter 4 of these rules.

Statement of Basis and Purpose - 11/00

The basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(b). The purpose of amending this rule is to correct and revise the language.

CHAPTER 3
EXAMINATIONS AND RE-EXAMINATIONS
C.R.S., 12-2-106, 12-2-108, 12-2-109, and 12-2-111

3.1 EXAMINATION APPLICATIONS.

Application for the examination shall be made on forms prescribed by the Board. An application is deemed complete at the time all supporting documents and fees are received.

3.2 DEADLINE FOR FILING APPLICATIONS. - Repealed 04/03

Statement of Basis and Purpose – 4/03

The basis for the repeal and adoption of these rules by the State Board of Accountancy is section 12-2-104(1)(B). Rules 3.2 and 3.9 are being repealed because they are no longer relevant to the computerized examination process.

3.3 OFFICIAL TRANSCRIPTS.

Candidates who will complete their education within 60 days after the date of examination as provided in 12-2-111(4), C.R.S., must submit a partial transcript at the time the application is submitted and shall have a final and complete official transcript forwarded from the institution to the Board or its designee as soon as possible after completion. Grades for the examination will not be released until the final transcript has been received. If the final transcripts are not received within six months of the date of the examination, the applicant's grades will be void.

3.4 WITHDRAWALS

Where a candidate for examination or re-examination fails to request in writing the withdrawal of his application 30 days or more prior to the date fixed by the Board for the examination as provided in 12-2-106(2), C.R.S., examination fees will be forfeited unless the failure was due to the sickness of the candidate or a member of his immediate family or the death of an immediate family member (substantiated by a physician's statement or death certificate) or if the candidate enters military service and is unable to sit for the examination or for other good cause deemed adequate by the Board.

Statement of Basis and Purpose

The basis for the adoption of rules is 12-2-104(1)(b), C.R.S. and the purpose of adopting the amendment to rule 3.4 is to delete the death of a candidate as a good cause for late withdrawal of an application for examination and to conform the language to provide consistency with rules 3.2 and 3.7.

3.5 RULES OF CONDUCT FOR EXAMINEES.

Examinees shall conduct themselves in a manner which does not violate the standards of test administration which will be provided prior to the examination.

3.6 BONA FIDE PAPER. – Repealed - 11/00

Statement of Basis and Purpose - 11/00

The basis for the repeal and adoption of these rules by the State Board of Accountancy is section 12-2-104(1)(B). Rule 3.6 is being repealed because a bona fide paper is no longer relevant to the examination process.

3.7 CONDITIONING REQUIREMENTS

A. Granting of Credit

1. Candidates are allowed to sit for each section of the Uniform CPA Examination individually, and in any order.
2. Candidates retain credit for any section(s) passed for eighteen months, without having to attain a minimum score on failed sections and without regard to whether they have taken other sections. Candidates are not allowed to retake a failed section(s) within the same examination window.¹
3. Candidates must pass all four sections of the Uniform CPA Examination within a "rolling" eighteen-month period, which begins on the date that the first section(s) passed is taken.
4. In the event all four sections of the Uniform CPA Examination are not passed within the rolling eighteen-month period, credit for any section(s) passed outside the eighteen-month period will expire and that section(s) must be retaken.

¹ An examination window refers to 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 an examination window.

B. Transitioning

1. Candidates who have earned conditional credits on the paper-and-pencil Uniform CPA Examination, as of January 1, 2004, will be given credits for the corresponding sections of the computer-based CPA examination as follows:

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

2. Candidates who have attained conditional status as of January 1, 2004 are allowed a transition period of six examination opportunities, limited to a three-year period commencing January 1, 2004, to complete any remaining sections of the CPA Examination. This provision is intended to assure that those candidates who have attained conditional status prior to the implementation of computer-based testing (CBT) are not disadvantaged by the change.
3. If a candidate, who has attained conditional status as of January 1, 2004, does not pass all remaining sections during the transition period, those credits earned under the paper-and-pencil examination will expire and the candidate will lose credit for the sections earned under the paper-and-pencil examination. However, any section passed during the transition period is subject to the granting of credit provisions of the computer-based examination as indicated in rule 3.7 (a). The exception is that a previously conditioned candidate will not lose credit for a section of the computer-based CPA Examination that is passed during the transition period, even though more than eighteen months may have elapsed from the date the section is passed, until the end of the transition period.

Statement of Basis and Purpose - 11/00 & 10/02

The basis for the repeal and adoption of these rules by the State Board of Accountancy is section 12-2-111 (2). Rule 3.7 was amended in 2000 to revise and clarify the language concerning conditioning. These changes allowed Colorado candidates to more easily transfer grades to other states and out-of-state candidates to more easily transfer grades to Colorado. In 2002, the rule is again repealed and reenacted effective January 1, 2004 to modernize and clarify the language for the computerized exam.

3.8 ADDITIONAL STUDY – Repealed - 05/96

Statement of Basis and Purpose - 2/96

The basis for the adoption of rules is Section 12-2-104(1)(b), C.R.S., and the purpose for repealing Rule 3.8 is based on statistical data that indicates the additional study requirement has little or no impact on candidate performance on the Uniform CPA Examination.

3.9 PROCTORING. - Repealed - 04/03

Statement of Basis and Purpose – 4/03

The basis for the repeal and adoption of these rules by the State Board of Accountancy is section 12-2-104(1)(B). Rules 3.2 and 3.9 are being repealed because they are no longer relevant to the computerized examination process.

3.10 CONVERSION. – Repealed - 11/00

Statement of Basis and Purpose - 11/00

The basis for the repeal of this rule by the State Board of Accountancy is section 12-2-104(1)(b). Rule 3.10 is being repealed because sufficient time has elapsed and conversion is no longer relevant to the examination process.

3.11 FOREIGN COUNTRY RECIPROCITY APPLICATION REQUIREMENTS -- Pursuant to Section 12-2-113(1)(c), C.R.S.

- A. In order to obtain a Colorado certificate, except as provided in paragraph B below, applicants from all foreign countries, including those who hold a certificate, license or degree in a foreign country which constitutes a recognized qualification for the practice of public accounting in a foreign country, are required to: 1) pass the U.S. Uniform CPA Examination; 2) meet the education and the ethics examination requirements of Section 12-2-109(1)(b), C.R.S. (see Rules 1.1 H and 2.4:2 and 3); and 3) meet the experience requirements of Sections 12-2-108 and 109, C.R.S. (see Chapter 4 Rules). The Board may waive one or more of these stated requirements upon the presentation by the applicant of acceptable evidence that they possess comparable qualifications to that of a certified public accountant in this state.

- B. In order to obtain a Colorado certificate, applicants who hold a certificate recognized by the International Qualifications Appraisal Board (IQAB), of The National Association of State Boards of Accountancy (NASBA) will not be required to pass the U.S. Uniform CPA Examination. These applicants will be required to meet the ethics requirements of Section 12-2-109(1)(B), (see Rule 1.1 H) and will have to include evidence showing compliance with the experience requirements of Sections 12-2-108 and 109, (see Chapter 4 Rules) as part of their application.

Statement of Basis and Purpose - 11/00

The basis for repealing this introductory paragraph by the State Board of Accountancy is section 12-2-104(1)(b). This introductory paragraph is being repealed because enough time has elapsed and conversion of the CPA Examination format is no longer needed.

Statement of Basis and Purpose - 11/00

The basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(b). Rule 3.11 is being amended to include recognition of International Qualifications Appraisal Board (IQAB) qualified candidates.

Statement of Basis and Purpose - 2/94 and 10/02

The basis for the adoption of Rules is Sections 12-2-104(1)(b) and 12-2-113(1)(c), C.R.S. The purpose for the adoption of new Rule 3.11 is to set forth the requirements to obtain a Colorado CPA certificate for persons who hold certificates, licenses or degrees in a foreign country.

With respect to Canadian Chartered Accountants, the CAQEX was merged with the International Qualifications Exam (IQEX) by the National Association of State Boards of Accountancy in 1998 and no longer exists as a separate examination. Both IQEX and CAQEX are recognized by the International Qualifications Board (IQAB).

The "Principles for Reciprocity" agreement dated September 16, 1991, serves as the basis for Rule 3.11 with respect to Australian Chartered Accountants and Canadian Chartered Accountants and substantiates that persons who hold the Australian Chartered Accountant or Canadian Chartered Accountant certificate have an education which is equal to or exceeds the Colorado educational requirements for certification. It further substantiates that the successful completion of IQEX is comparable to the successful completion of the U.S. Uniform CPA Examination.

With respect to satisfying the Colorado experience requirements, since the task force investigation behind the "Principles for Reciprocity" agreement did not find sufficient uniformity with Colorado experience requirements, the Board has determined that applicants holding the Australian Chartered Accountants or Canadian Chartered Accountant certificate must demonstrate satisfactory compliance with the Colorado experience requirements to receive a Colorado CPA certificate.

3.12 NOTICE TO SCHEDULE.

- A. After a candidate has been determined eligible to take any section of the Uniform CPA Examination and the candidate has paid the required examination fee, the board's designee will send and the candidate will receive a notice to schedule for the candidate to take the section or sections of the Uniform CPA Examination at a board approved testing center.
- B. The candidate will have six months from the date of the notice to schedule to take the examination section for which the candidate is eligible.
- C. A candidate who fails to take the approved examination section within six months must reapply to the board for establishment of new eligibility

Statement of Basis and Purpose - 01/04

The basis for the Adoption of these rules by the State Board of Accountancy is section 12-2-104(1)(b). The basis for this rule is the implementation and administration of the new computerized uniform CPA Examination set to go into effect on January 1, 2004. The purpose of adopting the rule is to establish a time period in which a candidate may take the examination after the establishment of eligibility.

CHAPTER 4
EXPERIENCE REQUIREMENT
C.R.S. 12-2-108 and 109

The following requirements apply to persons who choose the experience option to qualify for certification pursuant to sections 12-2-108(1)(c) and 12-2-109(1)(a)(II), C.R.S. Rule 4.1 A sets forth the standards for qualifying experience doing public accounting work as an employee of a Certified Public Accountant or a firm of Certified Public Accountants. Rules 4.1 B, C, D and E set forth standards for qualifying equivalent experience. Rule 4.2 sets forth general requirements applicable to Rules 4.1 A, B, C and D.

4.1 Experience

A. Public Accounting Experience

1. No person may be issued a certificate of Certified Public Accountant, except as set forth in Rule 2.5, unless that person has obtained one year of work experience, including a minimum of 1,800 qualifying work hours, as an employee of a Certified Public Accountant. The qualifying work must be under the direct supervision of a Certified Public Accountant with an active certificate during the period of supervision and shall be obtained as follows:
 - a. Public accounting work for purposes of this section shall mean the performance of any combination of services involving the use of accounting, auditing or attestation skills, one or more types of consulting services, the preparation of tax returns, or the furnishing of advice on tax matters.
 - b. Only public accounting work performed for the clients of the Certified Public Accountant or for clients of the firm of Certified Public Accountants is qualifying experience. The work must involve the application of appropriate technical and behavioral standards such as the standards contained in the Code of Professional Conduct, Generally Accepted Auditing Standards (GAAS), Statements on Standards for Attestation Engagements (SSAE), Statements on Standards for Accounting and Review Services (SSARS), the Statement on Standards for Tax Services (AICPA), or the Statements on Standards for Management Consulting Services (AICPA).

B. Internal Audit Experience

1. The requirement also may be met by one year of work experience, including a minimum of 1,800 qualifying work hours, where the applicant's work includes no other function but internal audit in an internal audit group and where the job function of the internal auditor meets the definitions set forth in the Codification of Statements on Auditing Standards issued by the AICPA. The qualifying work must be under the direct supervision of a Certified Public Accountant with an active certificate during the period of supervision and under the direct supervision of the auditee's external, independent auditors. Qualification under this paragraph requires a minimum of 80 hours of auditing work on at least one annual audit. The qualifying work must meet the following standards:
 - a. The work must regularly involve the exercise of independent, objective and impartial judgment and the application of appropriate technical and behavioral standards;
 - b. The work must involve an independent appraisal function and the internal auditor must be independent of the activities audited; and,
 - c. The work must be of a type and at a level equivalent to that performed in the public accounting practice of a Certified Public Accountant or a firm of Certified Public Accountants.

C. Other Equivalent Experience

1. The requirement also may be met by one year of work experience, including a minimum of 1,800 qualifying work hours, providing qualifying accounting services for an entity other than the employer of the applicant or any related entities (except as described in Rule 4.1 B) and must be under the direct supervision of a Certified Public Accountant with an active certificate during the period of supervision who is employed by the same employer as the applicant. The qualifying work must meet the following standards:
 - a. The work must regularly involve the exercise of objective and impartial judgment and the application of appropriate technical and behavioral standards;
 - b. The work must be of an independent aspect, in fact and appearance, comparable to that required in connection with commercial, financial audit relationships. Independent aspect, under this subsection, is defined by AICPA professional audit literature; and, specifically involves experience gained while working for an entity, in which there is no financial interest owned, or management control exercisable by the applicant's employer.
 - c. The work must be of a type and at a level equivalent to that performed in the public accounting practice of a Certified Public Accountant or a firm of Certified Public Accountants as described in any of the following:
 - i. Tax experience which is comparable to that set forth in the Statement on Standards for Tax Services (AICPA).
 - ii. Audit, or other attestation experience, must meet the Generally Accepted Auditing Standards (GAAS) General and Field Standards or the Statements on Standards for

Attestation Engagements (SSAE). The applicant must participate in the preparation of a written opinion which meets the Generally Accepted Auditing Standards (GAAS) Reporting Standards or equivalent standards.

- iii. Consulting services must meet the standards set forth in the Statements on Standards for Management Consulting Services (AICPA).
- iv. Accounting and review services must meet standards set forth in the Statements on Standards for Accounting and Review Services (SSARS).

D. Experience Gained Under Alternative Supervision

- 1. The requirement also may be met by one year of work experience, including a minimum of 1,800 qualifying work hours, supervised by a Certified Public Accountant with an active certificate, who has been engaged to supervise the applicant's work product for the work performed for the applicant's clients. The qualifying work must meet the following standards:
 - a. The work must be limited to services involving the use of accounting skills, one or more types of consulting services, the preparation of tax returns, or the furnishing of advice on tax matters;
 - b. Only accounting work performed for an applicant's clients is qualifying experience. The work must regularly involve the exercise of independent, objective and impartial judgment and the application of appropriate technical and behavioral standards such as the standards contained in the Code of Professional Conduct, the Statements on Standards for Accounting and Review Services (SSARS), the Statements on Standards for Attestation Engagements (SSAE), the Statement on Standards for Tax Services (AICPA), and the Statements on Standards for Management Consulting Services (AICPA); and,
 - c. The supervision must be at a level comparable to that in certified public accounting.
- 2. A written agreement, relative to the provisions in Rule 4.1(D)(1)(a), (b) and (c) above, between the applicant and the supervisor, must be prepared prior to the commencement of the work to be supervised. This agreement must define the type of work to be supervised; the process by which the supervised work will be selected and the assurance that the supervised work will involve the same degree of planning, review and supervision as that present in the public accounting practice of a Certified Public Accountant or firm of Certified Public Accountants. Prior to the commencement of the supervision, the applicant may present a copy of the written agreement to the Board for pre-approval of the terms contained therein.

A copy of the executed agreement must accompany the application for certification.

E. Five in Ten Year Reciprocity

- 1. The Board may issue a Certified Public Accountant certificate to a holder of a certificate, license or permit issued by another U.S. licensing jurisdiction after the applicant:
 - a. Has passed the examination required for issuance of the applicant's certification with grades which would have been passing grades at the time in this state;
 - b. Has five years of experience practicing public accounting as a Certified Public Accountant in another U.S. licensing jurisdiction or in a country recognized by the International Qualifications Appraisal Board (IQAB) of NASBA within the ten years immediately preceding the application; and,
 - c. Has completed a minimum of 100 hours of continuing professional education, with a minimum of 40 hours completed in the two years immediately preceding application to this state.

Statement of Basis and Purpose - 12/94

The basis for the adoption of rules is 12-2-104(1)(b) and 12-2-109(1)(a)(II), C.R.S. The purpose for re-enacting Rule 4.1 is:

- A. To incorporate two additional "equivalent" experience components to qualify for a Certified Public Accountant Certificate.
 - 1. Rule 4.1 D, Experience Gained Under Alternative Supervision, provides an equivalent method to obtain qualifying experience under the "direct supervision" of a Certified Public Accountant. The equivalency standard allows for an individual's accounting work to be supervised by a Certified Public Accountant while not being employed by that Certified Public Accountant or firm of Certified Public Accountants. This alternative to the traditional employer/employee relationship requirement allows for certification based on the quality and level of supervision as well as work product rather than the employment relationship. It also insures that applicants gain the appropriate skills and professionalism as part of their qualifying experience. This alternative method of supervision also provides an avenue to certification for applicants who may come to the certified public accounting profession as a second or third career and therefore find it not feasible to obtain one-year of experience as an employee of a Certified Public Accountant or a firm of Certified Public Accountants.

The component requires a written agreement between the applicant and the supervisor which must contain provisions as set forth in Rule 4.1 D. The Board will offer applicants the option of obtaining pre-approval (but will not require pre-approval) of the finalized agreement. The pre-approval procedure is to assist the applicant in identifying any deficiencies in the proposed supervisory procedure prior to the commencement of the required qualifying supervision. In any event, a verified copy of the finalized agreement will be required to be submitted along with an application for certification.
 - 2. Rule 4.1 E, Five-in-Ten Year Reciprocity, provides a means for reciprocal recognition of experience gained by licensees in the other 53 U.S. licensing jurisdictions. The rule also insures that, where a period of up to five years may have elapsed since practicing public accountancy and the filing of an application for Colorado certification, the applicant has fulfilled continuing education requirements that will reasonably ensure that they are qualified to render accounting services of a professional nature for the protection of the public health, safety and welfare of Colorado citizens.
- B. To modify the language in the existing rules to clarify the "equivalency" standards for meeting the experience requirement.
- C. To incorporate a minimum standard for the number of work hours that must be spent by an applicant in performing qualifying work.

Statement of Basis and Purpose - 11/00

The basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(b). Rule 4.1(A)(1)(b) is being amended to update the title of the publication.

Statement of Basis and Purpose - 11/00

The basis for amending these rules by the State Board of Accountancy is section 12-2-104(1)(b). Rule 4.1(C)(1)(a) & (b) are being amended to more clearly define the independence aspect of experience and make the language clearer. Rule (c)(i) is being amended to update the title of the publication.

Statement of Basis and Purpose - 11/00

The basis for amending these rules by the State Board of Accountancy is section 12-2-104(1)(b). Rule 4.1(D)(1) is being amended to more clearly define the independence aspect of experience and make the language clearer. Rule 4.1(D)(1)(b) is being amended to update the title of the publication.

Statement of Basis and Purpose - 11/00

The basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(b). Rule 4.1(E)(1)(b) is being amended to include recognition of International Qualifications Appraisal Board (IQAB) qualified candidates.

4.2 GENERAL EXPERIENCE REQUIREMENTS

- A. The following requirements are applicable to Rule 4.1 A, B, C and D above:
1. The experience must be under the direct supervision, including direction and review of a Certified Public Accountant who holds an active certificate during the time of supervision and who is employed by the same employer as the applicant except in the case of the external independent auditors as set forth in Rule 4.1 B, or the alternative supervision as set forth in Rule 4.1 D.
Contract work, shared employee and leased employee relationships may qualify under the definition of accounting work as an employee of, and under the direct supervision of, a Certified Public Accountant.
 - a. Exceptions to the requirement for the direct supervisor to hold an active certificate may be made for reasons of individual hardship or other good cause.
 2. The experience must be verified by the Certified Public Accountant directly supervising the applicant on forms prescribed by the Board.
 3. The "one year of work experience" is defined as no less than 2,080 employment hours (not applicable to Rule 4.1 D) and may be any combination of full-time or part-time employment for one or more employers. 2,080 employment hours must include a minimum of 1,800 qualifying work hours. The "qualifying work hours" are defined as hours spent performing functions associated with the standards set forth under Rules 4.1 A, B, C and D. Holidays, vacations, family/employee sick leave and hours spent attending in-firm training and/or other continuing education courses shall not be included as qualifying work hours but may be a part of the 2,080 employment hours. Only the 1,800 qualifying work hours requirement is applicable to Rule 4.1 D.
 - a. Repealed 11/00.
 4. The one year work experience must be gained over a minimum 12-month period of employment. The one year of experience in the contractual relationship set forth in Rule 4.1 D must be gained over a minimum period of 12 months. The experience can be gained over more than a 12-month period of employment or contractual relationship, provided that the other requirements of this section are also met.
 5. The qualifying experience must be obtained no more than five years prior to or subsequent to passing the examination. Exceptions may be made for reasons of individual hardship or other good cause.
 - a. Repealed - 11/00.
 - b. Repealed - 11/00.
- B. The following definitions apply to all sections of Chapter 4:
1. Direct Supervision requires the supervisory Certified Public Accountant to be involved in the planning, direction and review of the qualifying work.
 2. Objective and Impartial Judgment requires one to apply one's own judgment instead of subordinating it to that of another.

Statement of Basis and Purpose - 12/94

The basis for the adoption of Rules 12-2-104(1)(b) and 12-2-109(1)(a)(II), C.R.S. The purpose for re-enacting Rule 4.2 is to:

- A. Incorporate references to Rule 4.1 D.
- B. Add contract work, shared employee and leased employee relationships as an equivalent to the traditionally required employer/employee relationship.
- C. Define relative terms such as "one year of work experience", "qualifying work hours", "direct supervision" and "independent, objective and impartial judgment".

Statement of Basis and Purpose - 4/97

The basis for the adoption of rules is Section 12-2-104(1)(b), C.R.S. The purpose of amending Rules 4.2 A, paragraphs (a) and (e), is to provide the Board with flexibility to make exceptions to the certificate status requirement and the requirement to obtain the requisite experience no more than five years prior to or subsequent to passing the examination for reasons of individual hardship or other good cause.

Statement of Basis and Purpose - 9/97

The basis for the adoption of rules is sections 12-2-104(1)(b), 12-2-119(5) and 12-2-122.5, C.R.S., and the purpose of amending rule 4.2 (b) is to correct a typographical numbering error and create continuity throughout the rules.

Statement of Basis and Purpose - 11/00

The basis for the repeal of these rules by the State Board of Accountancy is section 12-2-104(1)(b). Rules 4.2(A)(3)(a) & (A)(5)(a) & (b) are being repealed because sufficient time has elapsed and these issues are no longer relevant to the experience requirements.

Statement of Basis and Purpose - 11/00

The basis for amending these rules by the State Board of Accountancy is section 12-2-104(1)(b). Rule 4.2(2) is being amended to more clearly define the independence aspect of experience and make the language clearer. Also, change 4.2(2) to 4.2(B), (a) to (1) and (b) to (2) to correctly follow in the numbering sequence.

CHAPTER 5
CERTIFICATE STATUS AND MAINTENANCE
Sections 12-2-108, 12-2-115.5, 12-2-119(5), 12-2-122.5, 12-2-123,
and 24-34-102(8)(d), C.R.S.

5.1 INTRODUCTION

Chapter 5 sets forth the requirements, including continuing professional education (CPE), for a certificate holder to renew, reactivate or reinstate a certificate, and to obtain a retired or inactive status certificate. For CPE standards, see Chapter 6. It is the responsibility of the certificate holder to complete the renewal process every two years and the responsibility of the firm registrant to complete the renewal process every three years.

5.2 DEFINITIONS

- A. CPE. Continuing professional education that satisfies the requirements of Chapter 6 of the Board's Rules.
- B. Active. The status of a certificate holder's certificate or a firm's registration allowing the CPA or firm registrant to use the CPA designation and to perform any service for which an active CPA certificate or firm registration is required pursuant to Section 12-2-120(6), C.R.S.
- C. Inactive. The status of a certificate holder's certificate following the certificate holder's request that the Board transfer their status to inactive. An inactive certificate holder is not required to comply with continuing education requirements for the period during which the certificate is inactive. A certificate holder with a certificate in inactive status is prohibited by law from holding out as a CPA and from performing any service for which an active certificate is required pursuant to Section 12-2-120(6), C.R.S.
- D. Retired. The status granted to an eligible certificate holder who elects not to receive any earned compensation, including director's fees, for professional services, as defined in Rule 1.1.L, or for performance of any service involving the use of accounting or auditing skills. Retired status must be indicated by the word "retired" if the certificate holder uses the CPA designation in any manner. Retired certificate holders are prohibited from performing any service for which an active certificate is required pursuant to Section 12-2-120(6), C.R.S.
- E. Expired. The status of a certificate holder's certificate or firm's registration following a failure to renew the certificate or registration by the expiration date. A certificate holder with a certificate in expired status is prohibited by law from holding out as a CPA and from performing any service for which an active certificate is required pursuant to Section 12-2-120(6), C.R.S. A firm registrant is prohibited by law from holding out as a firm composed of CPAs and from performing any service for which an active registration is required pursuant to Section 12-2-120(6), C.R.S.
- F. Good Standing. The certificate holder is not suspended, on probation, or subject to any practice restriction or limitation.
- G. Renewal. The process of applying to retain a certificate in an active, inactive or retired status every two years in accordance with the schedule established by the Division of Registrations pursuant to Sections 12-2-108 (3) and 24-34-102, C.R.S. or of applying to retain a firm registration every three years pursuant to Section 12-2-117(1), C.R.S.
- H. Reactivation. The process by which an inactive or retired status certificate is returned to active status.
- I. Reinstatement. The process by which a certificate that has expired is returned to active or inactive status or by which a firm registration that has expired is returned to active status.
- J. Reporting Period. A two-year period from January 1 of the even-numbered year through December 31 of the odd-numbered year immediately preceding the expiration date of a certificate during which the certificate holder shall complete CPE.
- K. Joint Standards. The Joint AICPA/NASBA Statement on Standards for Continuing Professional Education (CPE) Programs, incorporated by reference in Rule 6.2.
- L. Fields of Study. The NASBA CPE Fields of Study, incorporated by reference in Rule 6.3.

- M. CR&R. CPE concerning Sections 12-2-101-132 and 13-90-107(1)(f), C.R.S. and Colorado State Board of Accountancy Rules and Regulations. In order to qualify as a CR&R course, the course must review and encourage compliance with Colorado statutes, rules and regulations regarding CPAs.
- N. Ethics. CPE concerning professional ethical behavior in Regulatory Ethics or Behavioral Ethics, as defined by the Fields of Study.

5.3 APPLICATION FOR BOARD ACTION

A certificate holder or a person wishing the Board to take any action regarding the status of a certificate shall apply on a form and in a manner prescribed by the Board.

5.4 ACTIVE CERTIFICATE

An active certificate expires and shall be renewed every even-numbered year, according to the schedule established by the Division of Registrations pursuant to Section 24-34-102, C.R.S., to maintain the certificate in an active status.

A. Conditions of Renewal

As a condition for the renewal of an active status certificate, each certificate holder shall complete a total of 80 hours of CPE during the reporting period. No more than 16 hours may be in Personal Development, as defined by the Fields of Study. Four hours of CPE must be in Ethics, of which up to two hours may be in CR&R.

B. Conditions of Renewal after Initial Certification

A certificate holder who obtains initial Colorado certification during a reporting period shall complete ten hours of CPE during each full quarter remaining in the reporting period, of which no more than 20 percent shall be in Personal Development, as defined by the Fields of Study. Within six months of the date the Board grants an initial certificate, the certificate holder shall complete two hours of CR&R.

5.5 INACTIVE CERTIFICATE

An inactive certificate expires and shall be renewed every even-numbered year, according to the schedule established by the Division of Registrations pursuant to Section 24-34-102, C.R.S., to maintain the certificate in an inactive status.

A. Conditions of Transferring a Certificate to Inactive Status

To transfer a certificate from active to inactive status, a certificate holder shall submit written notice by first class mail to the Board of the certificate holder's request to transfer to inactive status.

B. Conditions of Renewal of an Inactive Certificate

Inactive certificate holders are not required to comply with CPE requirements for the period during which the certificate is inactive. A certificate holder with a certificate in inactive status is prohibited by law from holding out as a CPA and from performing any service for which an active certificate is required pursuant to Section 12-2-120(6), C.R.S.

5.6 RETIRED STATUS CERTIFICATE

A retired certificate expires and shall be renewed every even-numbered year, according to the schedule established by the Division of Registrations pursuant to Section 24-34-102, C.R.S., to maintain the certificate in a retired status. Retired certificate holders are not required to comply with CPE requirements for the period during which the certificate is in retired status.

A. Conditions for a Retired Status Certificate

1. To be eligible for a retired status certificate, a certificate holder shall satisfy the following conditions:
 - a. The certificate holder shall hold a Colorado certified public accountant certificate, which may be in active, inactive or expired status, at the time of the application for a retired status certificate.

- b. The certificate holder shall be at least 55 years old and have held a certificate in good standing from any state, as state is defined in Section 12-2-102(5), C.R.S., for a total of 15 years.
 - c. The certificate holder no longer receives any earned compensation, including director's fees, for professional services, as defined in Rule 1.1.L, or for performance of any types of services involving the use of accounting or auditing skills for the certificate holder's employer.
2. Retired certificate holders are prohibited from performing any service for which an active certificate is required pursuant to Section 12-2-120(6), C.R.S.

B. Restriction upon Earned Compensation

1. A certificate holder who holds a retired status certificate shall not receive any earned compensation, including director's fees, for professional services, as defined in Rule 1.1.L, or for performance of any types of services involving the use of accounting or auditing skills for the certificate holder's employer as long as the certificate remains in retired status.
2. A certificate holder who holds a retired status certificate may perform volunteer accounting-related services for which the retired certificate holder receives no direct or indirect compensation, provided the retired certificate holder does not sign any documents related to such services as a certified public accountant.

C. Permitted Titles

A certificate holder granted retired status may be styled and known as a "retired certified public accountant" or "retired C.P.A."

D. Exceptions

The Board in its discretion may grant exceptions to the requirements set forth in paragraphs A.1 and B of Rule 5.6 for reasons of individual hardship or other good cause.

5.7 REACTIVATION

A. Conditions of Reactivation: Inactive or Retired Less Than Two Years

When a certificate has been in inactive or retired status less than two years, it may be reactivated provided the certificate holder completes a total of 80 hours of CPE within the two years immediately preceding the application receipt date. No more than 16 hours may be in Personal Development, as defined by the Fields of Study. Four hours of CPE must be in Ethics. Two hours of CPE must be in CR&R.

B. Conditions of Reactivation: Inactive or Retired Two Years or More

When a certificate has been in inactive or retired status for two years or more, it may be reactivated provided the certificate holder completes a total of 80 hours of CPE within the two years immediately preceding the application receipt date. No CPE in Personal Development, as defined by the Fields of Study, shall be counted toward the 80 hours. The CPE must include the completion of the AICPA ethics course as defined in Rule 1.1.K and two hours of CR&R.

5.8 REINSTATEMENT

A. Conditions of Reinstatement: Expired Less Than Two Years

When a certificate has been expired for less than two years, it may be reinstated provided the certificate holder completes a total of 80 hours of CPE within the two years immediately preceding the application receipt date. No more than 16 hours may be in Personal Development, as defined by the Fields of Study. Four hours of CPE must be in Ethics. Two hours of CPE must be in CR&R.

B. Conditions of Reinstatement: Expired Two Years or More and Less Than Six Years

When a certificate has been expired for two years or more and less than six years, it may be reinstated provided the certificate holder completes a total of 80 hours of CPE within the two years immediately preceding the application receipt date. No CPE in Personal Development, as defined by the Fields of Study, shall be counted toward the 80 hours. The CPE must include the completion of the AICPA ethics course as defined in Rule 1.1.K and two hours of CR&R. When the certificate holder provides satisfactory evidence of completing the conditions of this paragraph, it will be deemed that continued professional competency has been demonstrated.

C. Conditions of Reinstatement: Expired Six Years or More

When a certificate has been expired for six years or more, it may be reinstated provided the certificate holder satisfies the conditions set forth in either paragraph 1 or paragraph 3 of this Rule 5.8.C.

1. Within two years immediately preceding the application receipt date, the certificate holder shall satisfy the following conditions:
 - a. The certificate holder shall complete a total of 80 hours of CPE. No CPE in Personal Development, as defined by the Fields of Study, may be counted toward the 80 hours. The CPE must include the completion of the AICPA ethics course as defined in Rule 1.1.K and two hours of CR&R, and
 - b. The certificate holder shall also obtain experience or education according to one of the following conditions:
 - (1) one year of experience as provided in Chapter 4 of the Board's Rules, but excluding the independence requirement;
 - (2) a post-baccalaureate degree with a concentration in accounting obtained from an accredited college or university, as defined by Section 12-2-102(1), C.R.S.; or
 - (3) one year of teaching experience as a professor of accounting employed full time in an accredited college or university, as defined by Section 12-2-102(1), C.R.S.
2. When the applicant provides satisfactory evidence of completing the requirements of Rule 5.8.C.1, it will be deemed that continued professional competency has been demonstrated.
3. The certificate holder may also obtain a certificate by satisfying the same conditions as an applicant applying for initial certification, including passing the Uniform CPA Examination, meeting the education and experience requirements as established by statute and Board rules, and completing the AICPA ethics course as defined in Rule 1.1.K.

5.9 CPE REQUIRED AFTER REINSTATEMENT OR REACTIVATION

When a certificate is reinstated or reactivated to active status, the CPE required for the next renewal is 10 hours for each full quarter remaining in the reporting period in which the certificate was reinstated or reactivated. No more than 20 percent of the CPE shall be in Personal Development, as defined by the Fields of Study. Four hours of CPE must be in Ethics, of which up to two hours may be in CR&R.

5.10 CHANGE OF ADDRESS OR NAME BY A CERTIFICATE HOLDER OR FIRM REGISTRANT

A certificate holder or firm registrant shall notify the Board, in a manner prescribed by the Board, of a change of address or name within 30 days of the change. Failure to notify the Board of a change of address or name shall not excuse the certificate holder or firm registrant from renewing a certificate or firm registration by the date established for renewal or from responding to a Board communication sent pursuant to Section 12-2-123.5, C.R.S.

5.11 EFFECTIVE DATE

The revisions to Chapter 5 adopted by the Board on October 28, 2009, shall take effect on January 1, 2010.

CHAPTER 6
CONTINUING PROFESSIONAL EDUCATION
Sections 12-2-119 and 12-2-123, C.R.S.

6.1 INTRODUCTION

All CPAs should participate in learning activities that maintain and/or improve their professional competence. A CPA's field of employment does not limit the need for Continuing Professional Education ("CPE"). CPAs performing professional services need to have a broad range of knowledge, skills, and abilities. Thus, the concept of professional competence should be interpreted broadly. Accordingly, acceptable CPE encompasses programs contributing to the development and maintenance of both technical and non-technical professional skills. It is the responsibility of the certificate holder to be aware of and comply with all CPE requirements set forth in Chapters 5 and 6 of these rules.

6.2 CPE STANDARDS

Certificate holders, program sponsors, and program developers must follow the Joint AICPA/NASBA Standards for Continuing Professional Education (CPE) Programs, which were in effect July 14, 2006 ("Joint Standards"). This rule does not include later amendments to or editions of the Joint Standards.

6.3 SUBJECT MATTER

The following are acceptable subjects for CPE courses as defined by the NASBA CPE Fields of Study, which were in effect July 14, 2006 ("Fields of Study"):

Accounting	Behavioral Ethics
Accounting (Governmental)	Communications
Auditing	Personnel/HR
Auditing (Governmental)	Personal Development
Administrative Practice	Computer Science
Social Environment of Business	Economics
Regulatory Ethics	Mathematics
Business Law	Production
Business Management and Organization	Specialized Knowledge and Applications
Finance	Statistics
Management Advisory Services	Taxes
Marketing	

This rule does not include later amendments to or editions of the Fields of Study.

6.4 AVAILABILITY OF MATERIALS INCORPORATED BY REFERENCE

The public should contact the Board's Program Director at 1560 Broadway, Suite 1350, Denver, Colorado 80202, (303) 894-7800, or accountancy@dora.state.co.us to examine the Joint Standards and Fields of Study, incorporated by reference in Rules 6.2 and 6.3 respectively. Copies of these materials may also be examined at any state publications depository library.

6.5 CPE RECORDS RETENTION

As set forth in the Joint Standards, the certificate holder is responsible for accurate reporting and documentation of all CPE hours completed. Certificate holders must retain appropriate documentation for a minimum of five years from the end of the year in which the CPE was completed. Appropriate documentation includes:

1. name and contact information of CPE program sponsor,
2. title and description of content,
3. date(s) of program,
4. location of program,

5. number of CPE credits completed, and
6. certificate of completion or other verification supplied by the CPE program sponsor (for additional examples of acceptable evidence of completion, see the Joint Standards Section 200.11).

6.6 HARDSHIP EXCEPTIONS

A certificate holder seeking an exception to the CPE requirements must submit a written request and evidence of good cause to the Board. The Board shall decide on a case-by-case basis whether good cause has been demonstrated to make an exception to CPE requirements in accordance with Section 12-2-119(8), C.R.S.

6.7 CPE COMMITTEE

- A. The Board may appoint a committee that may audit the CPE records of certificate holders on a sample or complete basis to verify compliance with the requirements set forth in Chapters 5 and 6.
- B. Upon notice from the Board, a certificate holder shall provide all documents and information requested regarding CPE compliance within 60 days of the Board's notice.

6.8 FAILURE TO COMPLY WITH CPE REQUIREMENTS

- A. If the Board finds that a certificate holder has failed to comply with the CPE requirements set forth in Chapters 5 and 6, the certificate holder shall have 90 days from the mailing of the notice of such finding to:
 1. provide further evidence that the hours completed meet the CPE requirements established by these rules;
 2. provide documentation of having completed additional CPE hours during the reporting period; or
 3. cure the deficiency by completing the required number of CPE hours. Such hours shall be counted only toward curing the deficiency and shall not be counted toward the CPE requirements for a subsequent reporting period.
- B. If the Board finds that a certificate holder has failed to comply with the CPE requirements set forth in Chapters 5 and 6, the Board may include the certificate holder in the CPE audit of a subsequent reporting period.

6.9 EFFECTIVE DATE

The revisions to Chapter 6 adopted by the Board on October 28, 2009, shall take effect on January 1, 2010.

CODE OF PROFESSIONAL CONDUCT

PREAMBLE

Authority

The Rules of Professional Conduct are promulgated under the authority granted by 12-2-104(1)(c), C.R.S. to establish and maintain high standards of competence and integrity in the public accounting profession. The Rules of Professional Conduct apply with equal force to all certificate holders under this article, except where the wording of a specific rule indicates otherwise.

Principles

Integrity, Objectivity, Independence, Due Care and Competence are the Principles upon which the Board's Rules of Professional Conduct are based. They express the profession's recognition of its responsibilities to the public, to clients, and to colleagues and guide certificate holders in the performance of their professional responsibilities. They express the basic tenets of ethical and professional conduct and call for an unswerving commitment to honorable behavior, even at the sacrifice of personal advantage. The Principles are not rules, rather they represent the policies or guidelines used by the Board in promulgating the Rules of Professional Conduct.

Responsibilities

As professionals, Certified Public Accountants perform an essential role in society. Consistent with that role, Colorado certificate holders have responsibilities to all those who use their professional services. Certificate holders also have a continuing responsibility to cooperate with each other to improve the art of accounting, maintain the public's confidence, and carry out the profession's special responsibilities for self-governance. The collective efforts of all certificate holders are required to maintain and enhance the tenets of the profession.

The Public Interest

A distinguishing mark of the profession is acceptance of its responsibility to the public. The accounting profession's public consists of clients, credit grantors, governments, employers, investors, the business and financial community, and others who rely on the objectivity and integrity of certified public accountants to maintain the orderly functioning of commerce. This reliance imposes a public interest responsibility on certified public accountants. The public interest is defined as the collective well being of the community of people and institutions the profession serves.

In discharging their professional responsibilities, certificate holders may encounter conflicting pressures from among each of those groups. In resolving those conflicts, certificate holders should act with integrity, guided by the precept that when certificate holders fulfill their responsibility to the public, clients' and employers' interests are best served.

Those who rely on Certified Public Accountants expect them to discharge their responsibilities with integrity, objectivity, due care, and a genuine interest in serving the public. Certificate holders are expected to offer and provide services and enter into fee arrangements in a manner that demonstrates a level of professionalism consistent with these Principles of the Code of Professional Conduct.

All who accept a Colorado certificate of Certified Public Accountant commit themselves to honor the public trust. In return for the faith that the public reposes in them, certificate holders should continually seek to demonstrate their dedication to professional excellence.

Applicability

Title 12, Article 2 of the Colorado Revised Statutes (Accountant Law) requires that certificate holders adhere to the Rules of Professional Conduct. Certificate holders must be prepared to justify departures from those Rules.

The Rules of Professional Conduct that follow apply to all professional services performed except (a) where the wording of the rule indicates otherwise and (b) that a certificate holder who is practicing outside the United States will not be subject to discipline for departing from any of the rules stated herein as long as the certificate holder's conduct is in accord with the rules of the organized accounting profession in the country in which the certificate holder is practicing. However, where a certificate holder's name is associated with financial statements under circumstances that would entitle the reader to assume that United States practices were followed, the certificate holder must comply with the requirements of Rules 7.2, 7.5 and 7.6.

**CHAPTER 7
RULES OF PROFESSIONAL CONDUCT**

7.1 DEFINITIONS.

- A. **Integrity** An element of character fundamental to professional recognition which requires a certificate holder to (1) be honest and candid within the constraints of client confidentiality, (2) observe both the form and the spirit of technical and ethical standards and (3) keep service and the public trust above personal gain and advantage. It is the quality from which the public trust derives and the benchmark against which a certificate holder must ultimately test all decisions. It can accommodate the inadvertent error and the honest difference of opinion. It cannot accommodate deceit or subordination of principle.
- B. **Objectivity** A principle that requires a certificate holder to (1) be impartial, intellectually honest, and free of conflicts of interest, (2) protect the integrity of their work regardless of service or capacity and (3) avoid any subordination of their judgment.
- C. **Independence** The absence of relationships that impair or appear to impair a certificate holder's objectivity in performing an engagement in which the certificate holder or the certificate holder's firm will issue an attestation report or opinion other than a report in which a lack of independence is disclosed.
- D. **Due Care** The discharge of responsibilities to clients, employers and the public with diligence and competence which requires a certificate holder to (1) render services carefully and in a timely manner, (2) be thorough, (3) observe applicable technical and ethical standards, and (4) plan and supervise adequately any professional activity for which the certificate holder is responsible.
- E. **Competence** The knowledge and ability to assure that the quality of the services rendered meets professional standards. It requires a certificate holder to (1) be responsible for assessing and evaluating whether the certificate holder's education, experience and judgment are adequate for the responsibility assumed, and (2) maintain a commitment to learning and professional improvement that continues throughout a certificate holder's professional life.
- F. **Contingent Fee** A fee established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specific finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service. Solely for purposes of this section, fees are not regarded as being contingent if fixed by courts or governmental entities acting in a judicial or regulatory capacity, or in tax matters if determined based upon the results of judicial proceedings or the findings of governmental agencies acting in a judicial or regulatory capacity or there is a reasonable expectation of substantive review by a taxing authority.

7.2 INDEPENDENCE.

When a certificate holder or registered firm performs professional services requiring independence, they shall conform to the independence standards established by the AICPA and in effect as of September 1, 2002, whether or not the individual CPA or firm are members of the AICPA. When the certificate holder or registered firm performs services regulated by the US Securities and Exchange Commission (SEC) or the General Accounting Office (GAO), they also shall conform to the independence standards established by those bodies for those services and in effect as of August 15, 2003. This rule does not include later amendments to or editions of the AICPA, SEC or GAO standards.

Statement of basis and purpose – 10/02, 4/03

The statutory authority for the adoption of rule 7.2 is Section 12-2-104(1)(c). The purpose for amending rule 7.2 is to correct the new National Rules regarding independence standards that the board adopted in October 2002 to indicate the correct effective date established and in effect for the GAO independence standards is January 1, 2003.

Statement of basis and purpose – 10/03

The statutory authority for the adoption of rule 7.2 is Section 12-2-104(1)(c). The basis is that there are new National Rules of the AICPA, SEC, and GAO that affect accountants. The purpose for amending rule 7.2 is to bring the Colorado Independence Rules into conformity with the New National Rules of the AICPA, SEC, and GAO, effective as of August 15, 2003.

7.3 INTEGRITY AND OBJECTIVITY.

- A. Certificate holders shall perform all professional services with integrity and objectivity. They shall not knowingly misrepresent facts or subordinate their judgment to others.
 - 1. Misrepresentations of fact or subordination of judgment include, but are not limited to:
 - a. Knowingly making, permitting, or directing another to make false and misleading entries in an entity's financial statements or records.
 - b. Misrepresenting or failing to disclose material facts to an external or internal auditor, or accountant.
 - c. Taking a position in a tax return or advising a tax client to take a position that does not have a realistic possibility of being sustained on its merits in an administrative or judicial review unless the position is not frivolous and is adequately disclosed all as provided in the professional standards entitled, "Statement on Standards for Tax Services."

- B. Subordination of judgment or principle. When disagreements and disputes arise in the course of employment of a certificate holder related to the recording of transactions or preparing financial statements, a certificate holder:
 - 1. Shall determine whether (a) the entry or the failure to record a transaction in the records, or (b) the financial statement presentation or the nature or omission of disclosure in the financial statements, as proposed, represents the use of an acceptable alternative and does not materially misrepresent the facts.
 - a. If, after appropriate research or consultation, the certificate holder concludes that the matter has authoritative support or does not result in a material misrepresentation, the certificate holder need do nothing further.
 - b. If the certificate holder concludes that the matter results in a material misrepresentation or misstatement, the certificate holder shall make any concerns known to the appropriate higher level(s) of management within the organization (for example, the supervisor's immediate superior, senior management, the audit committee or equivalent, the board of directors, the company's owners). Certificate holders shall document their understanding of the facts, the accounting principles involved, the application of those principles to the facts, and the parties with whom these matters were discussed.
 - i. If, after discussing their concerns with the appropriate person(s) in the organization, the certificate holder concludes that appropriate action was not taken, they must assess their continuing relationship with the employer.
 - ii. Certificate holders also must assess any responsibility that may exist to communicate to third parties, such as regulatory authorities or the employer's (former employer's) external accountant.

Statement of Basis and Purpose - 11/00

The basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(b). Rule 7.3(A)(1)(c) is being amended to update the title of the publication.

7.4 RECEIPT OF COMMISSIONS AND CONTINGENT FEES.

- A. Permitted Commission Arrangements. Certificate holders who hold themselves out to the public as certified public accountants and who are not otherwise prohibited by this rule from receiving a commission shall disclose to the recipient of the services or the buyer of the product, in writing, the nature, amount and source of any commission prior to performing the services or making the referral or sale that generates the commission.
- B. Prohibition on Commissions and Contingent Fees. When certificate holders or their firms perform an audit or review of a financial statement or a compilation of a financial statement when certificate holders do not disclose a lack of independence; or an examination of prospective financial information, they shall not:
 - 1. For a commission, recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission, or
 - 2. Perform for a contingent fee any professional services for, or receive such a fee from, a client.
 This prohibition on commissions and contingent fees shall apply during the period in which certificate holders are engaged to perform any of the services listed above and the period covered by any financial statements involved in such listed services.
- C. Contingent Fees in Tax Matters. Certificate holders may not prepare an original or amended tax return or claim for refund for a contingent fee. For purposes of this rule, fees are not regarded as contingent if fixed by courts or other public authorities, or if based on the results of judicial proceedings or the findings of governmental agencies. A fee is considered to be based on the findings of a governmental agency if, at the time of a fee arrangement, certificate holders can demonstrate a reasonable expectation of substantive consideration by an agency with respect to the certificate holder's client. In the case of the preparation of an original tax return, such expectation is not deemed reasonable.

7.5 PROFESSIONAL COMPETENCE AND COMPLIANCE WITH APPLICABLE TECHNICAL STANDARDS.

A certificate holder shall comply with the following:

- A. General Standards
 - 1. Professional Competence -- Undertake only those professional services that the certificate holder or the certificate holder's firm can reasonably expect to complete with professional competence.
 - 2. Due Care -- Exercise due care in the performance of professional services.
 - 3. Planning and Supervision -- Adequately plan and supervise the performance of professional services.
 - 4. Sufficient Relevant Data -- Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.
- B. Auditing Standards

A certificate holder shall not permit the certificate holder's name to be associated with financial statements in such a manner as to imply that the certificate holder is acting as an independent public accountant unless the certificate holder has complied with the applicable auditing standards. Applicable auditing standards shall include those defined as generally accepted auditing standards by the AICPA, such as Statements on Auditing Standards and Government Auditing Standards as promulgated by the United States General Accounting Office or standards of any successor

organizations, including interpretations. Departures from these standards must be justified by those who do not follow them.

C. Accounting Principles

If financial statements or other financial data contain any material departure from an accounting principle(s) promulgated by the Financial Accounting Standards Board (FASB), the Government Accounting Standards Board (GASB), their predecessor entities and other entities having similar generally recognized authority or jurisdiction to establish such principle(s), a certificate holder shall not:

1. Express an opinion or state affirmatively that the financial statements or other financial data of any entity are presented in conformity with generally accepted accounting principles or
2. State that the certificate holder is not aware of any material modifications that should be made to such statements or data for them to be in conformity with generally accepted accounting principles.

If, however, the statements or data contain such a departure and the certificate holder can demonstrate that unusual circumstances would have caused the financial statements to be otherwise misleading, the certificate holder can comply with this rule by describing the departure, its approximate effects, if practicable, and the reasons why compliance with the principle would result in a misleading statement.

D. Prospective Financial Information

Certificate holders shall not permit their name to be used in conjunction with any prospective financial information in a manner that may lead to the belief that the certificate holders vouch for the achievability of the prospective financial information. Certificate holders should be guided by standards in this area promulgated by the AICPA or by other entities having similar generally recognized authority or jurisdiction over the service provided. Departures from applicable standards must be justified by those who do not follow them.

E. Other Attestation Standards

Certificate holders shall not permit their name to be associated with assertions or conclusions about the reliability of a written representation of another party unless they have complied with the Statements on Standards for Attestation Engagements (SSAE) promulgated by the AICPA or by other entities having similar generally recognized authority or jurisdiction over the service provided.

7.6 OTHER PROFESSIONAL STANDARDS.

In performing tax services, accounting, review and compilation services, attestation engagements, personal financial planning, business valuation, litigation support and expert witness services and consulting services, a certificate holder shall conform with Rule 7.5.A, Other Professional Standards applicable to such services as promulgated by the AICPA and any other rules established or incorporated by reference by the Board. For purposes of this rule, Other Professional Standards are considered to be defined by Statements on Standards for Consulting Services, Statements on Standards for Tax Services, Statements on Standards for Accounting and Review Services, Statements on Responsibilities in Personal Financial Planning Practice and Statements on Standards for Attestation Engagements, all of which have been issued by the AICPA and incorporated by reference at Board Rule 1.1.O

Statement of Basis and Purpose - February 2008

The specific statutory authority is section 12-2-104(1)(c), C.R.S. The basis is that certified public accountants are required to meet certain standards in their work, some of which are standards prepared by the American Institute of Certified Public Accountants. The purpose is to update the names of certain specific standards that the Board already has incorporated by reference in its rules and to revise the language requiring that certified public accountants adhere to other rules established or incorporated by reference.

1.1.O. Other Professional Standards.

For the purpose of these Rules, Other Professional Standards shall be:

1. Statements on Standards for Consulting Services
2. Statements on Standards for Tax Services
3. Statements on Standards for Accounting and Review Services
4. Statements on Responsibilities in Personal Financial Planning Practice
5. Statements on Standards for Attestation Engagements

The statements at Rule 1.1.O.1-5. were issued by the AICPA and in effect as of March 28, 2007. This Rule does not include later amendments to or editions of the professional standards. Copies of professional standards may be inspected in the offices of the Board during regular business hours. The public should contact the Board's Program Director at 1560 Broadway, Suite 1500, Denver, CO 80202 to examine the professional standards.

Statement of Basis and Purpose - 11/00

The basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(b). Rule 7.6 is being amended to update the title of the publication.

Statement of Basis and Purpose - 02/08

The specific statutory authority is section 12-2-104(1)(b) and (c), C.R.S. The basis is that the Board has authority to determine certain standards that C.P.A.s must meet according to the Rules of Professional Conduct. The purpose is to add the word "other" to "professional standards" in this definition to make the term consistent with Rule 7.6 and to update the suite number of the Board's address.

7.7 CONFIDENTIAL CLIENT AND EMPLOYER INFORMATION.

- A. In General. Certificate holders shall not disclose or use for their own benefit any confidential information pertaining to a client or the employer of the certificate holder, which information is obtained in the course of employment or performing professional services. This rule shall not in any way be construed to relieve certificate holders of their obligations under Rule 7.5. Information obtained as part of a proposed acquisition or in evaluating the acquisition or merger of an accounting practice shall not be disclosed or used to the certificate holders' benefit.
- B. Exceptions. Rule 7.7(A) shall not apply:
1. If information is disclosed with the specific consent of the client or the employer of the certificate holder.
 2. If information is disclosed pursuant to a subpoena or summons issued with respect to the certificate holder or an entity with which the certificate holder is associated, where the subpoena or summons has been determined to be legally enforceable; or if information is disclosed to permit a certificate holder's compliance with applicable laws and government regulations.
 3. If information is disclosed as part of the public record in a civil law suit (legal action) between the certificate holder and the client or employer.
 4. If information is disclosed in the course of a peer review of a certificate holder's professional services. Professional practice reviewers shall not disclose any confidential client information which comes to their attention from certificate holders in carrying out their responsibilities, except that they may furnish such information in response to a formal request from an investigative or disciplinary body of the kind referred to in Rule 7.7(B)(5).
 5. If information is disclosed as part of the process of initiating a complaint with, or responding to an inquiry made by the Board and the disclosure to the board is in accordance with the Colorado revised statutes regarding accountant-client privilege or the client waives the privilege; or if information is disclosed as part of the process of initiating a complaint with or responding to an investigative or disciplinary body established by law or formally recognized by the Board. Members of the Board shall not disclose any confidential client information that comes to their attention from certificate holders in disciplinary proceedings or otherwise in carrying out their responsibilities.
 6. If information is disclosed as part of an acquisition or merger or proposed acquisition or merger of an accounting practice.

Statement of Basis and Purpose - 11/00

The basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(b). Rule 7.7(B)(2) is being amended to be consistent with Rule 7.3(B)(1)(b)(ii) concerning exceptions to confidentiality of a client's records.

Statement of Basis and Purpose - 10/03

The statutory basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(c). The basis and purpose are: Rule 7.7(B)(5) is being amended to reflect the change in section 13-90-107 concerning the use of confidential communications between certified public accountants and clients in proceedings relating to the attest activities of CPA's, and, creating an exception to the Colorado Accountant-Client Privilege for purposes of disciplinary functions of the state board of accountancy related to attest services.

7.8 ISSUING COPIES OF REPORTS, TAX RETURNS OR OTHER DOCUMENTS.

- A. Upon request and reasonable notice, a certificate holder shall furnish to a client or former client a copy of any report, tax return or other document issued by the certificate holder to or for such client during the previous five years. Unpaid fees do not constitute justification for withholding copies of these items.
- B. If a client, including a former client, requests copies of reports and tax returns previously issued by the certificate holder under this Rule 7.8, a fee may be collected for the copying. Such fee should be set to reflect the reasonable cost of providing the copies.

7.9 CLIENT RECORDS.

- A. Client records are:
1. Accounting or other records belonging to, obtained from, or on behalf of, the client, that the certificate holder removed from the client's premises or received for the client's account.
 2. Certificate holder's workpapers or records that contain data which should properly be reflected in the client's books and records, including, but not limited to:
 - a. Adjusting, closing, combining, or consolidating journal entries.
 - b. Information normally contained in the books of original entry and general ledgers or subsidiary ledgers, such as accounts receivable, job cost and equipment ledgers or similar types of depreciation records.
 3. Computer files that include client information normally contained in the books of original entry and general ledgers or subsidiary ledgers.
- B. Obligation to retain, return and provide client records:

1. A certificate holder must retain copies of documentation of work performed, including issued reports and tax returns, for a period of five years. If original client records or copies of client records are retained by the certificate holder, they must also be retained for a period of five years.
 2. A certificate holder must return client records upon request and reasonable notice from the client or former client. If the records cannot be returned to the client promptly, the certificate holder shall immediately notify the client of the date the records will be returned.
 3. A certificate holder shall not retain a client's records in an attempt to force payment of any kind.
 4. Upon completion of an engagement wherein the client's records have been returned to the client, duplicate records requested by the client shall be furnished to the client upon reasonable notice for a reasonable fee. Such fee should be set to reflect the reasonable cost of providing the copies.
 5. Upon request, a certificate holder must provide to the client a copy of any computer files that constitute client records, without password protection and with the name of the software used to manage the accounting information. The certificate holder is under no obligation to provide the client or former client with a copy of any computer code, application program or instructions for the software used to assemble the data.
- C. Workpapers belonging to the Certificate Holder.
1. A certificate holder is not required to furnish to the client or former client any workpapers developed by the certificate holder incident to the performance of the engagement, that do not result in changes to the client's records or are not in themselves part of the records ordinarily maintained by a client.
 2. Certificate holder's workpapers are considered to be solely the property of the certificate holder and are not the property of the client. For example, the certificate holder may make extensive analyses of inventory or other accounts as part of the selective audit procedures. These analyses are considered to be a part of the certificate holder's workpapers, even if client personnel at the request of the certificate holder have prepared the analyses. Only to the extent these analyses result in changes to the client's records would the certificate holder be required to furnish the details from the workpapers in support of the journal entries recording the changes, unless the journal entries themselves contain all necessary details.
 3. If an engagement is terminated prior to the completion of work, and the certificate holder's work product has neither been issued nor paid for by the client, the work product is solely and exclusively the property of the certificate holder.
- D. Peer Review – Retention of records.
For the purpose of clarifying Section 12-2-123(1)(q), C.R.S., professional standards issued by the AICPA shall be used to determine the period of time for record retention as it relates to the peer review process.

7.10 ACTING THROUGH OTHERS.

Certificate holders shall not knowingly permit others to carry out on their behalf, either with or without compensation, acts, which, if carried out by the certificate holders, would place them in violation of the Rules of Professional Conduct. Similarly, in supervising subordinates, a certificate holder shall not accept or condone conduct in violation of the Rules of Professional Conduct.

7.11 SOLICITATION.

A certificate holder shall not solicit an engagement to perform professional services by any direct personal communication if:

- A. The communication contains false, misleading, or deceptive statements that (1) create false or unjustified expectations; (2) imply an ability to influence any court, tribunal, regulatory agency, or similar body or official; (3) contain a representation of unrealistic future fees; or (4) contain a representation likely to be misunderstood by a reasonable person.
- B. The communication creates or uses coercion, duress, compulsion, intimidation, threats, overreaching, vexatious or harassing conduct, or untruthful statements about the professional work product or competence of other certificate holders.

7.12 PRACTICE NAMES.

- A. A public accounting firm registered by the Board in compliance with Section 12-2-117, C.R.S. may use the name(s) of current, retired or deceased owners, either alone or with other descriptive terms, in its name.
- B. A certificate holder or public accounting firm registered by the Board in compliance with Section 12-2-117, C.R.S. may use an assumed or trade name if it is in compliance with Colorado Law, is not misleading, and clearly indicates that the individual or entity is engaged in providing accounting services as defined in Rule 1.1 F.
- C. The designation "and company" or "and associates" will not be considered misleading when used in a practice name only when a certificate holder or public accounting firm, registered by the Board in compliance with Section 12-2-117, C.R.S., has employees, professional associates, or contractual relationships with other professionals.

7.13 OFFERING SERVICES VIA THE INTERNET

Any CPA or CPA firm licensed or registered by the Colorado board and offering to or performing professional services via the Internet shall include the following information on the Internet:

1. Name of individual CPA or CPA firm licensed by the Colorado State Board of Accountancy;
2. Principal place of business
3. Business telephone number; and

4. Colorado certificate number and/or Colorado firm registration number.

Statement of Basis and Purpose - 11/00

The basis for amending this rule by the State Board of Accountancy is section 12-2-104(1)(c). Due to the increasing number of certificate holders who advertise on the Internet, rule 7.13 is being added for public protection.

Statement of Basis and Purpose - 7/97

The basis for the adoption of rules is Section 12-2-104(1)(b) and (c), C.R.S. The purpose for the repeal of the Board's current Chapter 7 – Rules of Professional Conduct is to consider the adoption of a preamble and readopting new rules of professional conduct that conform with the standards of practice currently being used in the profession.

7.14 DISCLOSURE BY CERTIFICATE HOLDERS AND FIRMS

- A. A certificate holder, as defined in Rule 1.1.J, or a firm, as defined in Rule 1.1.L, shall notify the Board within forty-five (45) days of any of the following events relating to the certificate holder or the firm:
1. Imposition of discipline, including, but not limited to, censure, reprimand, sanction, probation, civil penalty, fine, consent decree or order, suspension, revocation, or modification of a license, certificate, permit or practice rights by:
 - a. The U.S. Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), or the Internal Revenue Service (IRS) by the Director of the Office of Professional Responsibility.
 - b. Another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy.
 - c. Any other federal or state agency regarding the certificate holder's conduct while rendering professional services.
 - d. Any federal or state taxing, insurance or securities regulatory authority.
 - e. Any foreign authority or credentialing body that regulates the practice of accountancy.
 2. Notice of disciplinary charges filed by the SEC, PCAOB, IRS, or another state board of accountancy, or a federal or state agency concerning the practice of accountancy, or a foreign authority or credentialing body that regulates the practice of accountancy.
 3. Initiation of a civil proceeding or an alternative dispute resolution proceeding by a governmental entity relating to an audit report for a public or non-public company.
 4. Judgment, settlement or resolution of a civil proceeding or an alternative dispute resolution proceeding by a governmental entity relating to an audit report for a public or non-public company.
 5. Initiation of an administrative proceeding or disciplinary proceeding by any federal state, or non-U.S. agency, board, or administrative or licensing authority or any professional association or entity regarding an audit report for a public or non-public company.
 6. Decision, judgment, settlement or resolution of an administrative proceeding or disciplinary proceeding by any federal, a state or non-U.S. agency, board, or administrative or licensing authority or any professional association or entity regarding an audit report for a public or non-public company.
 7. Any judgment, award or settlement of a civil action or arbitration proceeding of \$150,000 or more in which the certificate holder or the firm was a party if the action or proceeding included any allegation of gross negligence, violation of specific standards of practice, fraud, or misappropriation of funds in the practice of public accounting or during employment.
 - 8.. A criminal charge against or a conviction of the certificate holder, deferred prosecution, or a plea of guilty or nolo contendere to a crime by the certificate holder if the crime is:
 - a. a felony under the laws of the United States or of any state of the United States or any foreign jurisdiction; or
 - b. a misdemeanor when an essential element of the misdemeanor is dishonesty or fraud.
- B. The certificate holder designated by a partnership, professional corporation, or limited liability company as responsible for notifying the Board, pursuant to section 12-2-117(2)(a)(iii), C.R.S., shall be the certificate holder responsible for notifying the Board of the reportable event regarding the firm.
1. A firm shall notify the Board only when such reportable event directly involves the firm's practice of public accounting in the State of Colorado.

- C. The notice to the Board shall include the following information regarding the reportable event:
1. If the reportable event is a disciplinary proceeding, alternative dispute resolution proceeding, administrative proceeding or civil action by any governmental entity or professional association or entity, the name of the agency, its jurisdiction, the case name, the docket or proceeding or case number by which it is designated, a description of the matter or a copy of the document initiating the action or proceeding and, and, if the matter has been adjudicated or settled, a copy of the consent decree, order or decision.
 2. If the reportable event is a criminal conviction, charge or plea, the court, its jurisdiction, the case name, the case number, and a description of the matter or a copy of the indictment or charges, and, if the certificate holder has been convicted, acquitted, or entered a plea of guilty or nolo contendere, a copy of the judgment of conviction.
 3. If the reportable event concerns a civil action or arbitration proceeding, the court or arbiter, the jurisdiction, the case name, the case number, a description of the matter or a copy of the complaint, and a copy of the verdict, the court or arbitration decision, or, if settled, the court's order of dismissal.
- D. During the pendency of a reportable event, the reporting certificate holder or firm may submit a written explanatory statement to be included in the Board's records.
- E. Documents provided to the Board shall be closed to public inspection if federal statute or regulation or state statute so provides.
- F. This rule shall apply to any reportable event that occurs on or after the rule's effective date.

Statement of Basis and Purpose – 02/08

The statutory basis for the proposed new rule 7.14 is sections 12-2-104(1)(b) and (c), C.R.S. The basis of Rule 7.14, a new rule, is that the Board has authority to discipline C.P.A.s for various grounds for discipline, including violations of the Rules of Professional Conduct. Rule 7.14 requires certified public accountants to report the actions by other entities against the C.P.A. or the public accounting firm and certain criminal matters. Self-reporting by C.P.A.s and firms will allow the Board to obtain more quickly information regarding such matters that may be grounds for disciplinary action against a C.P.A. or firm.

**CHAPTER 8
DECLARATORY ORDERS
C.R.S., 24-4-105(II)**

- 8.1 Any person, as defined in C.R.S., 12-2-102(3), may petition the Board for a declaratory order to terminate controversies or to remove uncertainties as to the applicability to the petitioner of any statutory provisions or of any rule or order of the Board.
- 8.2 The Board will determine, in its discretion and without notice to petitioner, whether to rule upon any such petition. If the Board determines that it will not rule upon such a petition, the Board shall promptly notify the petitioner of its action and state the reasons for such action.
- 8.3 In determining whether to rule upon a petition filed pursuant to this rule, the Board will consider the following matters, among others:
- A. Whether a ruling on the petition will terminate a controversy or remove uncertainties as to the applicability to petitioner of any statutory provision or rule or order of the Board.
 - B. Whether the petition involves any subject, question or issue which is the subject of a formal or informal matter or investigation currently pending before the Board or a court involving one or more of the petitioners.
 - C. Whether the petition involves any subject, question or issue which is the subject of a formal or informal matter or investigation currently pending before the Board or a court but not involving any petitioner.
 - D. Whether the petition seeks a ruling on a moot or hypothetical question or will result in an advisory ruling or opinion.
 - E. Whether the petitioner has some other adequate legal remedy, other than an action for declaratory relief pursuant to rule 57, C.R.C.P., which will terminate the controversy or remove any uncertainty as to the applicability to the petitioner of the statute, rule or order in question.
- 8.4 Any petition filed pursuant to this rule shall set forth the following:
- A. The name and address of the petitioner and whether the petitioner holds a certificate issued pursuant to C.R.S., 12-2-101, et seq.
 - B. The statute, rule or order to which the petition relates.
 - C. A concise statement of all of the facts necessary to show the nature of the controversy or uncertainty and the manner in which the statute, rule or order in question applies or potentially applies to the petitioner.
- 8.5 If the Board determines that it will rule on the petition, the following procedures shall apply:
- A. The Board may rule upon the petition based solely upon the facts presented in the petition. In such a case:
 - 1. Any ruling of the Board will apply only to the extent of the facts presented in the petition and any amendment to the petition.
 - 2. The Board may order the petitioner to file a written brief, memorandum or statement of position.
 - 3. The Board may set the petition, upon due notice to the petitioner, for a non-evidentiary hearing.
 - 4. The Board may dispose of the petition on the sole basis of the matters set forth in the petition.
 - 5. The Board may request the petitioner to submit additional facts, in writing. In such event, such additional facts will be considered as an amendment to the petition.
 - 6. The Board may take administrative notice of facts pursuant to the Administrative Procedure Act (C.R.S., 24-4-105(8)) and may utilize its experience, technical competence and specialized knowledge in the disposition of the petition.
 - 7. If the Board rules upon the petition without a hearing, it shall promptly notify the petitioner of its decision.
 - B. The Board may, in its discretion, set the petition for hearing, upon due notice to petitioner, for the purpose of obtaining additional facts or information or to determine the truth of any facts set forth in the petition or to hear oral argument on the petition. The notice to the petitioner setting such hearing shall set forth, to the extent known, the factual or other matters into which the Board intends to inquire. For the purpose of such a hearing, to the extent necessary, the petitioner shall have the burden of proving all of the facts stated in the petition, all of the facts necessary to show the nature of the controversy or uncertainty and the manner in which the statute, rule or order in question applies or potentially applies to the petitioner and any other facts the petitioner desires the Board to consider.
- 8.6 The parties to any proceeding pursuant to this rule shall be the Board and the petitioner. Any other person may seek leave of the Board to intervene in such a proceeding, and leave to intervene will be granted at the sole discretion of the Board. A petition to intervene shall set forth the same matters as required by section 8.4 of this rule. Any reference to a "petitioner" in this rule also refers to any person who has been granted leave to intervene by the Board.
- 8.7 Any declaratory order or other order disposing of a petition pursuant to this rule shall constitute agency action subject to judicial review pursuant to C.R.S., 24-4-108.

Statement of Basis and Purpose - 2/96

The basis for the adoption of rules is Section 12-2-104(1)(b), C.R.S., and the purpose for adopting Chapter 8 and its corresponding rules is solely for moving the rules from Chapter 6 to a new Chapter in the Board's rules.

CHAPTER 9
SUBSTANTIAL EQUIVALENCY
C.R.S., 12-2-121(2)

9.1 SCOPE OF THE PRACTICE PRIVILEGE

- A. An individual who qualifies for the practice privilege under section 9.2 of these rules shall be deemed to have all the privileges of a licensee of this state without the need to obtain a Colorado license. Such an individual and the firm that employs the individual are subject to the requirements in section 12-2-121(2)(c), C.R.S., and may use the title “certified public accountant” or the abbreviation “C.P.A.”, pursuant to section 12-2-121(2)(b)(II), C.R.S.

9.2 REQUIREMENTS

A. Practice privilege requirements

1. An individual whose principal place of business is not in this state shall be presumed to have qualifications substantially equivalent to this state’s requirements and shall have all the privileges of licensees of this state without the need to obtain a certificate under section 12-2-108, C.R.S., if:
 - A. The individual holds a valid license as a certified public accountant from any state which the NASBA national qualification appraisal service has verified to be in substantial equivalence with the CPA licensure requirements of the AICPA/NASBA Uniform Accountancy Act; or
 - B. The individual holds a valid license as a certified public accountant from any state or jurisdiction of the united states, which the NASBA national qualification appraisal service has not verified to be in substantial equivalence with the CA licensure requirements of the AICPA/NASBA Uniform Accountancy Act but such individual obtains from the NASBA national qualification appraisal service verification that such individual’s CPA qualifications are substantially equivalent to the CPA licensure requirements of the AICPA/NASBA Uniform Accountancy Act. Any individual who passed the uniform CPA examination and holds a valid license issued by any other state prior to January 1, 2012, shall be exempt from the education requirement in the uniform accountancy act.
2. To section 12-2-106(5), C.R.S. and notwithstanding any other provision of law, an individual who offers or renders professional services, whether in person, or by mail, telephone, or electronic means, under this section shall be granted practice privileges in this state and no notice or other submission shall be provided by any such individual.
3. For purposes of this section, “valid license” means a current certificate or license allowing an individual to engage in the practice of public accounting in that state and to hold himself out as a “CPA” in the state that issued the certificate or license.

B. Firm registration not required

Pursuant to section 12-2-121, C.R.S., any foreign partnership, corporation, limited partnership, limited liability limited partnership, or limited liability company engaging in the practice of accounting in this state through a holder of a practice privilege shall not be required to register with the board, notwithstanding section 12-2-117, C.R.S.

C. Contact information required

Any person authorized to use the title “certified public accountant” or the abbreviation “C.P.A.” shall provide contact information to clients pursuant to section 12-2-115(2), C.R.S.

9.3 DISCIPLINE FOR HOLDERS OF THE PRACTICE PRIVILEGE

A. Individual Privilege Holders

The Board may revoke, suspend, fine, censure, issue a Letter of Admonition, place on probation, impose other conditions or limitations, or deny the practice privilege to any individual for the following grounds:

1. Fraud or deceit in qualifying for the practice privilege;
2. Fraud or negligence in the practice of public accounting in Colorado or any other state,
3. Fraud in the filing of or failure to file his or her own income tax returns;
4. Violation of any provision of Article 2 of Title 12, C.R.S applicable to the practice privilege, of any final rule or regulation promulgated by the Board applicable to the practice privilege, or of any valid agency order;
5. Violation of a rule of professional conduct promulgated by the Board under the authority granted by Article 2 of Title 12, C.R.S.;
6. Conviction of a felony under the laws of any state or of the United States. A plea of guilty or a plea of nolo contendere accepted by the court shall be considered as a conviction;
7. Conviction of any crime, an element of which is dishonesty or fraud, under the laws of any state or of the United States. A plea of guilty or a plea of nolo contendere accepted by the court shall be considered as a conviction;

8. Cancellation, revocation, suspension, limitation of right to practice, any other form of discipline, or refusal to renew authority to practice as a certified public accountant or a public accountant in any state;
 9. Suspension, revocation, or any limitation of the right to practice before any state or federal agency for improper conduct or willful violation of the rules or regulations of such state or federal agency;
 10. Providing public accounting services to the public without qualifying for the practice privilege under Section 12-2-121(2), C.R.S.
 11. Assuming or using the title or designation "certified public accountant" or the abbreviation "C.P.A.", or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such person is a certified public accountant unless such person holds an active certificate as a Colorado certified public accountant or qualifies for the practice privilege;
 12. An act or omission which fails to meet generally accepted accounting principles or generally accepted auditing standards in the profession;
 13. Habitual intemperance with respect to or excessive use of any habit-forming drug, any controlled substance as defined in Section 12-22-303 (7), C.R.S., or any alcoholic beverage, any of which renders him or her unfit to practice public accounting;
 14. Failure to retain records of the work performed for each client in Colorado for a period of five years.
- B. If an individual practice privilege holder's certificate, license or permit to practice as a CPA is limited or subjected to any form of discipline or denial by a foreign jurisdiction while he or she is exercising the practice privilege in Colorado, or if the CPA firm's certificate, license, permit or registration is limited or subjected to any form of discipline or denial by another jurisdiction, the practice privilege holder shall notify the Board of the limitation or discipline by the other state jurisdiction within seven (7) days of the action taken by the other jurisdiction.

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