

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

DIRECTOR'S OFFICE

ACCOUNTANCY – GENERAL RULES

(By authority conferred on the department of licensing and regulatory affairs by sections 205, 721, 725, 726, 728, 729 of 1980 PA 299, MCL 339.205, 339.721, 339.725, 339.726, 339.728, 339.729; and on the board of accountancy by section 308 of 1980 PA 299, MCL 339.308; and by Executive Reorganization Order No. 1991-9, 1996-2, 2003-1, 2008-4, and 2011-4, MCL 338.3501, 445.2001, 445.2011, 445.2025, and 445.2030.)

PART 1. GENERAL PROVISIONS

R 338.5101 Definitions.

Rule 101. (1) As used in these rules:

(a) "Act" means 1980 PA 299, MCL 339.101 to 339.2677, and known as the occupational code.

(b) "Audit" or "examination" means an examination applying generally accepted auditing standards, including any procedure undertaken to verify or test the reasonableness of financial information with a view of expressing an opinion or commenting on the fairness of the presentation.

(c) "Attest" means an audit, review, examination, or agreed upon procedures engagement as defined in section 720 of the act, MCL 339.720, performed in accordance with applicable professional standards adopted in R 338.5102.

(d) "Board" means the Michigan board of accountancy.

(e) "Certified public accountant" or "CPA" means a person holding a certificate of certified public accountant granted by the department, or an individual with practice privileges.

(f) "Client" means the person or persons or entity that retains an individual licensee, a firm licensee, individual with practice privileges, or an out-of-state firm, for the performance of professional services.

(g) "Continuing education period" means all or part of a year beginning July 1 and ending June 30.

(h) "Continuous instruction" means education time not including breakfast, lunch, or dinner periods, coffee breaks, or any other breaks in the program.

(i) "Disclose" means to provide a written communication from a CPA or a CPA firm informing the client, prior to making a recommendation or referral, that the CPA or CPA firm will receive a commission, referral fee, or contingency fee from a third party for recommendations or referrals of products and/or services.

(j) "Enterprise" means a person, persons, or entity for which an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm performs professional services.

(k) "Exam window" means the time in each calendar quarter in which the uniform certified public accountant examination is offered. There are 4 exam windows in each calendar year, the first 2 months of each calendar quarter: January 1 to February 28 (or 29), April 1 to May 31, July 1 to August 31, and October 1 to November 30.

(l) "Financial statements" means statements and related footnotes that show financial position, results of operations, and cash flows on the basis of generally accepted accounting principles or another comprehensive basis of accounting. The term does not include incidental financial data included in management advisory services reports to support recommendations to a client and does not include tax returns and supporting schedules of tax returns.

(m) "Generally accepted accounting principles" means accounting principles of professional conduct, promulgated by the applicable nationally or internationally recognized professional standard setting organization, related to individual accounting engagements.

(n) "Generally accepted auditing standards" means the standards of professional conduct, promulgated by the applicable nationally or internationally recognized professional standard setting organization, related to individual audit engagements.

(o) "Individual with practice privileges" means an individual who practices in this state pursuant to section 727a of the act, MCL 339.727a.

(p) "Licensee" means the holder of an individual license under section 727 of the act, MCL 339.727 or the holder of a firm license under section 728 of the act, MCL 339.728.

(q) "Nano-learning program" means a tutorial program designed to permit a participant to learn a given subject in a 10-minute time frame through the use of electronic media and without interaction with a real-time instructor.

(r) "Out-of-state firm" means a firm that is permitted to provide certain services and use the title "CPA firm" without obtaining a Michigan firm license under section 728 of the act, MCL 339.728, under the conditions in section 728(4) and (5) of the act, MCL 339.728(4) and (5).

(s) "Professional engagement" means an agreement between a client and an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm relative to the performance of professional services.

(t) "Professional services" means any services performed or offered to be performed by an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm for a client in the course of the practice of public accounting, pursuant to section 720 of the act, MCL 339.720.

(u) "Qualifying hours" means continuing education hours that comply with part 3 of these rules.

(2) Terms defined in the act have the same meanings when used in these rules.

History: 1979 AC; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2007 AACS; 2013 AACS; 2017 AACS; 2019 AACS.

R 338.5102 Standards of professional practice adopted by reference.

Rule 102. (1) The following standards are adopted by reference:

(a) The standards issued by the American Institute of CPAs (AICPA), 220 Leigh Farm Road, Durham, North Carolina, 27707, set forth in the publication "AICPA Professional

Standards” updated June 1, 2017, and any statements issued as of the effective date of this rule, which are available at cost from the institute’s website at: <http://www.aicpa.org>.

(b) The standards issued by the Public Company Accounting Oversight Board (PCAOB), 1666 K Street NW, Washington, DC 20006, set forth in the publication entitled “PCAOB Standards and Related Rules” 2017 edition, and any updates issued as of the effective date of this rule, which are available at cost from the AICPA at <http://www.aicpa.org>.

(c) The auditing standards issued by the Government Accountability Office, 441 G. St., NW, Washington, DC 20548, in the publication entitled "Government Auditing Standards 2011 Revision," reissued on January 20, 2012, which are available at no cost on the Office’s website at <http://gao.gov/products/GAO-12-331G>.

(d) The auditing standards issued by the International Auditing and Assurance Standards Board (IAASB), 529 5th Avenue, New York, NY 10017, in the publication entitled “Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Pronouncements” 2016-2017 edition, and any related pronouncements issued as of the effective date of this rule, which are available at cost from the IAASB's website at: <http://www.ifac.org/publications-resources/2015-handbook-international-quality-control-auditing-review-other-assurance>.

(e) The accounting standards issued by the Financial Accounting Standards Board (FASB), 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856, in the publication entitled “FASB Accounting Standards Codification” as of October 31, 2016, and any updates published as of the effective date of this rule, which are available at cost from the board’s website at <https://asc.fasb.org>.

(f) The accounting standards issued by the Governmental Accounting Standards Board (GASB), 407 Merritt 7, P.O. Box 5116, Norwalk, CT 06856, in the publication entitled “GASB Codification” as of June 30, 2016, and any pronouncements published as of the effective date of this rule, which are available at cost from the board’s website at <http://gasb.org>.

(g) The accounting standards issued by the International Accounting Standards Board, 30 Cannon Street, London EC4M 6XH, United Kingdom, in the publication entitled “2017 International Financial Reporting Standards IFRS® (Red Book)” and any pronouncements issued as of the effective date of this rule, which are available at cost from the board’s website at: <http://www.ifrs.org>.

(h) The United States Securities and Exchange Commission (SEC) rules contained in Title 17 Chapter 2 of the United States Code of Federal Regulation and the SEC’s Interpretative Releases and Policy Statements issued as of the effective date of this rule. The SEC rules may be obtained free of charge at <http://www.ecfr.gov>. The SEC’s Interpretative Releases and Policy Statements may be obtained free of charge at <https://www.sec.gov>.

(2) Copies of the standards adopted in this rule are available for inspection and distribution at cost from the Department of Licensing and Regulatory Affairs, Bureau of Professional Licensing, 611 W. Ottawa Street, P.O. Box 30670, Lansing, MI 48909.

(3) A licensee shall comply with the applicable standards adopted in subrule (1) of this rule.

History: 2007 AACS; 2013 AACS; 2017 AACS; 2019 AACS.

R 338.5103 Rescinded.

History: 1986 AACCS; 1996 AACCS; 1999 AACCS; 2007 AACCS; 2013 AACCS.

R 338.5104 Retention of documents

Rule 104. (1) With the exception of documents related to a peer review, all individual licensees, firm licensees, individuals with practice privileges, and out-of-state firms shall retain sufficient documentation, in any form, with regard to services performed while engaged in the practice of public accounting, as well as evidence obtained and conclusions reached, for a period of not less than 5 years.

(2) Documents related to a peer review shall be retained in accordance with the AICPA's professional standards and retention policies pursuant to R 338.5102(1)(a) or until final adjudication of a complaint related to a peer review, whichever is later.

(3) Documentation shall be consistent with that required by professional standards or promulgated by the applicable nationally or internationally recognized professional standards setting organizations.

History: 2007 AACCS; 2013 AACCS.

R 338.5105 Rescinded.

History: 1979 AC; 1986 AACCS; 1998-2000 AACCS; 2003 AACCS; 2013 AACCS.

R 338.5110 Uniform CPA exam generally.

Rule 110. (1) The department or its designee may permit a candidate to sit for the exam in another state if the candidate complies with all administrative rules.

(2) The department may excuse a candidate from an exam due to the sickness of the candidate or a member of the candidate's immediate family if substantiated by a doctor's certificate. A candidate may also be excused if the candidate provides the department with proof of a death in the candidate's immediate family, temporary military service, or another good reason acceptable to the department. A candidate shall make a request to be excused within 90 days of the date of the exam. If excused, an applicant's exam shall not count as a failure to write the exam.

(3) The department shall grant a candidate credit for exam grades of 75 or higher earned in another state if the candidate meets the educational requirements to sit for the exam and if the board determines the exam was equivalent to the exam provided by the department.

History: 1979 AC; 1986 AACCS; 1996 AACCS; 1998-2000 AACCS; 2013 AACCS.

PART 2. LICENSURE REQUIREMENTS

R 338.5110a Uniform CPA exam procedures.

Rule 110a. The following procedures shall apply:

(a) Applicants may take the required exam sections individually and in any order.

(b) Applicants shall pass all sections of the exam within the exam windows that fall within a rolling 18-month period beginning on the date that the first section is passed. If all sections are not passed within the exam windows that fall within the rolling 18-month period, then credit for any section passed outside the 18-month period shall expire and must be retaken.

(c) The department may extend an exam window due to the sickness of the candidate or a member of the candidate's immediate family if substantiated by a doctor's certificate. An exam window may also be extended if the candidate provides the department with proof of a death in the candidate's immediate family, temporary military service, or another good reason acceptable to the department. A candidate shall make a request to be excused within 90 days of the date of the exam. If extended, an applicant's exam shall not count as a failure to write the exam.

(d) Applicants shall not retake any sections of the exam within the same exam window.

History: 2003 AACS; 2013 AACS.

R 338.5111 Exam scores.

Rule 111. (1) The minimum passing grade for each subject is 75.

(2) The department shall notify each candidate of his or her grades within a reasonable time, but not later than 120 days after completion of the exam.

(3) A candidate shall appeal the grading of any paper to the department, in writing, within 30 days after grades are released.

History: 1986 AACS; 1996 AACS; 1998-2000 AACS; 2013 AACS.

R 338.5112 Failure to write exam during specified period; reapplication required.

Rule 112. A candidate who fails to write an exam for a period of 6 successive exam windows shall apply as a new applicant, unless excused under R 338.5110(2) or R 338.5110a(c).

History: 1986 AACS; 1998-2000 AACS; 2013 AACS.

R 338.5114 Rescinded.

History: 1998-2000 AACS; 2007 AACS; 2013 AACS.

R 338.5115 Qualifying educational requirements; approved educational institutions;

adoption of accreditation standards by reference.

Rule 115. (1) Pursuant to section 725(2) of the act, MCL 339.725(2), an individual who has completed a curriculum required for a baccalaureate degree consisting of not less than 120 semester hours with a concentration in accounting at a higher education institution approved in subrule (3) of this rule is eligible to take the uniform certified public accountant examination.

(2) A concentration in accounting shall include all the following accounting and general business subjects:

(a) Auditing: 3 semester hours.

(b) Twenty-four semester hours of general business subjects, other than accounting, that may include study in any of the following subjects:

(i) Business communications.

(ii) Business ethics.

(iii) Business law.

(iv) Economics.

(v) Finance.

(vi) Management.

(vii) Marketing

(viii) Information systems or technology.

(ix) Quantitative methods.

(x) Statistics.

(xi) Other subjects approved by the department.

(c) Twenty-one semester hours of accounting principles that must include study in each of the following areas:

(i) Financial accounting and accounting theory.

(ii) Managerial accounting, including cost accounting.

(iii) Accounting systems and controls.

(iv) Taxation.

(v) Governmental/fund accounting.

(3) The board adopts by reference the procedures and criteria for recognizing accrediting agencies of the United States Department of Education, effective July 1, 2010, as contained in Title 34, Part 602 of the Code of Federal Regulation, and the policies and procedures for recognition of accrediting organizations of the Council of Higher Education Accreditation (CHEA), effective June 28, 2010. The federal recognition criteria may be obtained from the United States Department of Education, Office of Postsecondary Education, 400 Maryland Avenue, SW, Washington, DC 20202 and are available at no cost at <http://www.ecfr.gov>. The policies and procedures may be obtained from CHEA, One Dupont Circle NW, Suite 510, Washington, DC 20036 and are available at no cost at <http://www.chea.org>.

(4) Copies of the standards and criteria adopted by reference in this rule are available for inspection and distribution at cost from the Department of Licensing and Regulatory Affairs, Bureau of Professional Licensing, 611 W. Ottawa Street, P.O. Box 30670, Lansing, MI 48909.

History: 1979 AC; 1982 AACS; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2013 AACS; 2017 AACS; 2019 AACS.

R 338.5116 Certificate of certified public accountant; credit hour requirements for concentration in accounting.

Rule 116. (1) The department shall consider a person as having met the concentration in accounting requirements of section 725(1)(e) of the act, MCL 339.725(1)(e), if the person provides proof of having completed 150 semester hours of academic credit at an accredited college or university, including any of the following:

(a) A master's degree in accounting.

(b) A master's degree in business administration that includes not less than 12 semester hours of graduate level accounting courses. The 12 semester hours of accounting courses does not include tax or information systems courses.

(c) An academic program consisting of both of the following:

(i) Thirty semester hours of accounting subjects, including not more than 6 semester hours of taxation. Additional semester hours in accounting subjects may be applied toward the general business subject requirements of subdivision (c) (ii) of this subrule.

(ii) Thirty-nine additional semester hours with a minimum of 3 semester hours, but not more than 12 semester hours, in not less than 5 of the following areas:

(A) Business law.

(B) Economics.

(C) Professional ethics.

(D) Finance.

(E) Management.

(F) Marketing.

(G) Taxation.

(H) Statistics.

(I) Business policy.

(2) A person may earn credit only once for an accounting or general business topic. If the department determines that 2 courses are duplicative, then only the semester hours of 1 course shall be counted toward the semester hour requirement.

(3) Academic credit earned during an internship shall apply toward the total 150 semester hour requirement; however, shall not apply to the required 30 semester hours of accounting subjects or the required 39 semester hours in subrule (1)(c)(ii) of this rule.

History: 2013 AACCS; 2019 AACCS.

R 338.5117 Certificate of certified public accountant; qualifying experience requirement.

Rule 117. (1) An applicant applying for a CPA certificate shall have obtained not less than 2,000 hours of qualifying experience within a period of not less than 1 calendar year nor more than 5 calendar years.

(2) The department shall grant full credit for qualifying experience earned during a college or university internship, including the internships for which educational credit is provided.

(3) The department shall regard instruction as qualifying experience, if the applicant has completed not less than 4 academic semesters of an academic appointment in accounting at an institution recognized by the department. An instructor who has an academic

appointment in accounting shall teach, as the principal instructor, not less than 6 credit hours per semester of accounting subjects above the elementary level.

History: 2013 AACCS.

R 338.5120 Rescinded.

History: 1979 AC; 1986 AACCS; 1998-2000 AACCS; 2013 AACCS.

R 338.5125 Rescinded.

History: 1979 AC; 1986 AACCS; 1997 AACCS.

R 338.5130 Rescinded.

History: 1979 AC; 1998-2000 AACCS.

R 338.5135 Rescinded.

History: 1979 AC; 1986 AACCS; 1997 AACCS.

R 338.5139 Practice privilege.

Rule 139. An individual shall not, as a condition of qualification for the practice privilege granted under MCL 339.727a, be required to comply with the continuing professional education requirements of this state provided that the individual is in compliance with the continuing professional education requirements of the state of the individual's principal place of business.

History: 2013 AACCS.

R 338.5140 Permit for temporary practice.

Rule 140. (1) An accountant who does not qualify for practice privileges under MCL 339.727a nor hold a license to practice public accounting in this state shall obtain a permit and pay the appropriate fee for each engagement in this state by this accountant, or on behalf of his or her firm, who does not hold a license to practice public accountancy in this state. The applicant shall hold a license as a certified public accountant of another state, or hold a title from a foreign country, recognized by the board as comparable to the Michigan certificate of certified public accountant and shall be practicing public accountancy under the certificate or license in the grantor state or country.

(2) If approved by the department, the term of the permit shall begin on the date approved unless otherwise specified and shall be for a specified period, but shall not be for more than 1 year.

(3) The temporary practice shall be performed by, or under the direct supervision of, a licensed certified public accountant, an individual with practice privileges under to MCL 339.727a or the holder of a title from a foreign country who is recognized under subrule (1) of this rule.

(4) A temporary permit is not required if the work relates to a Michigan-based division or subsidiary of an entity, if the parent entity is located in another state or foreign country and is a client of the certified public accountant, firm, or foreign accountant, and if a separate presentation of financial statements with a related independent auditor's report or review report, or an attestation regarding the reliability of a representation or estimate is not made for the division or subsidiary on a stand-alone basis.

(5) A temporary permit is not required if the work is to be performed through the applicant's employer who presently holds the license to practice public accountancy in this state.

(6) A temporary permit issued to an accountant shall also constitute a temporary permit for his or her firm, if his or her firm is not presently licensed in this state.

(7) If another jurisdiction charges a fee for providing an affidavit or certificate of professional standing for determining whether the applicant is qualified to practice public accountancy temporarily in this state, then the applicant shall pay the fee.

History: 1979 AC; 1998-2000 AACS; 2007 AACS; 2013 AACS.

R 338.5145 Rescinded.

History: 1979 AC; 1982 AACS; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2007 AACS; 2013 AACS.

R 338.5147 Rescinded.

History: 1996 AACS; 1998-2000 AACS.

R 338.5150 Rescinded.

History: 1979 AC; 1996 AACS; 1998-2000 AACS.

R 338.5155 Rescinded.

History: 1979 AC; 1986 AACS; 1998-2000 AACS.

R 338.5160 Rescinded.

History: 1979 AC; 1986 AACS.

R 338.5165 Rescinded.

History: 1979 AC; 1986 AACCS.

R 338.5170 Rescinded.

History: 1979 AC; 1986 AACCS.

R 338.5201 Rescinded.

History: 1979 AC; 1986 AACCS.

R 338.5205 Rescinded.

History: 1979 AC; 1986 AACCS.

PART 3. CONTINUING EDUCATION

R 338.5210 License renewals; continuing education requirements; applicability; continuing education waiver; reciprocity.

Rule 210. (1) This part applies to applications for renewal of an accountancy license under sections 411 and 729 of the act, MCL 339.411 and 339.729. An applicant for renewal must submit the required fee and a completed application on a form provided by the department. Both of the following apply:

(a) Pursuant to section 729(1) of the act, MCL 339.729(1), an applicant for renewal who is a nonresident under section 720(1)(g) of the act, MCL 339.720(1)(g), is considered to have met the requirements under this part if he or she satisfies all of the following requirements:

(i) Submits the required fee and a completed application on a form provided by the department.

(ii) The state in which his or her principal place of business is located requires continuing education for renewal of that state's accountancy license.

(iii) Has met the continuing education requirements of the state in which his or her principal place of business is located.

(b) If audited, the applicant shall provide a copy of the license that was renewed by the state in which his or her principal place of business is located.

(2) Submission of an application for renewal shall constitute the applicant's certification of compliance with the requirements of this rule. Both of the following apply:

(a) An applicant shall retain documentation required by R 338.5215 as evidence of meeting the requirements under this rule for 4 years from the date of applying for license renewal.

(b) A licensee is subject to audit under this part and may be required to submit the documentation as described by R 338.5215 upon request of the department.

(3) A request for a continuing education waiver pursuant to section 204(2) of the act, MCL 339.204(2), must be received by the department before the expiration date of the license.

History: 1979 AC; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2007 AACS; 2013 AACS; 2019 AACS.

R 338.5211 Renewal of license with insufficient qualifying hours permitted under certain circumstances; waiver of requirement for additional hours.

Rule 211. (1) A licensee who does not earn sufficient qualifying hours during the continuing education period may be allowed to renew a license upon reporting 80 qualifying hours and an additional 4 hours of continuing education credit for each month of time needed to remove the deficiency. The additional 4 hours of continuing education credit for each month of time needed to remove the deficiency shall not apply toward the qualifying hours of continuing education credit required in a continuing education period for the renewal of a license.

(2) The department may waive the requirement for additional hours upon a showing by the licensee that the additional hours would present an undue hardship on the licensee.

History: 1986 AACS; 1996 AACS; 1998-2000 AACS.

R 338.5215 Acceptable continuing education; requirements; limitations.

Rule 215. (1) The board shall consider the following as acceptable continuing education:

Acceptable Continuing Education.		
	Activity and proof of completion.	Number of continuing education hours earned for activity.
(a)	<p>Attendance in a group program that meets all the following requirements:</p> <ul style="list-style-type: none"> The subject matter of the program complies with R 338.5255. The program is conducted by an instructor or discussion leader whose background, training, education, or experience makes it appropriate for him or her to lead a discussion on the subject matter. The sponsor of the program takes individual attendance. The sponsor of the program issues to each attendee a program outline and a written certification of the attendee's hours of attendance. 	<p>Fifty minutes of continuous instruction equals 1 continuing education hour.</p> <p>Additional credit shall be granted after the first 50 minutes for continuous instruction in the following amounts:</p> <ul style="list-style-type: none"> One-half credit for every additional 25 minutes. One-fifth credit for every additional 10 minutes.

	<ul style="list-style-type: none"> • The sponsor of the program maintains written records of individual attendance and the program outline for 4 years. <p>If audited, a licensee shall submit a copy of a letter or certificate of completion showing the licensee's name, total continuing education hours earned, sponsor name and contact information, course title, course field of study, date offered or completed, and type of instruction or delivery method used.</p>	
(b)	<p>Completion of an individual nano-learning program that meets all the following requirements:</p> <ul style="list-style-type: none"> • The subject matter of the program complies with R 338.5255. • The program is an educational course designed for nano-learning delivery. • The program uses instructional methods that define a minimum of 1 learning objective. • The program guides the participant through a program of learning and provides evidence of a participant's satisfactory completion of the program. • The sponsor requires the participant to successfully complete a qualified assessment with a passing grade of 100% before issuing credit for the course. • The sponsor of the program issues the participants a written certification of the participant's completion of the program and a program outline. • The sponsor of the program maintains written records of the participant's completion of the program and the program outline for 4 years. <p>If audited, the licensee shall submit a copy of a letter or certificate of completion provided by the program sponsor verifying the licensee's name, number of continuing</p>	<p>Credit shall be awarded as 1/5 credit (0.2 credit).</p> <p>A nano-learning course cannot be combined with another nano-learning course.</p> <p>A combined maximum of 20 continuing education hours may be earned under this activity and activity (f) during each continuing education period.</p> <p>A combined maximum of 4 continuing education hours in auditing and accounting may be earned under this activity and activity (f) during each continuing education period.</p> <p>A combined maximum of 1 continuing education hour in the study of professional ethics may be earned under this activity and activity (f) during each continuing education period.</p>

	education hours earned, sponsor name and contact information, course title, course field of study, date completed, and type of instruction or delivery method used.	
(c)	<p>Passing a noncredit academic course that meets both of the following requirements:</p> <ul style="list-style-type: none"> • The subject matter of the course complies with R 338.5255. • The course is offered by an educational institution that complies with R 338.5115. <p>If audited, the licensee shall submit a letter from the institution confirming the name and course number of the course completed, number of classroom hours attended, and the date of satisfactory course completion.</p>	Each classroom hour equals 1 continuing education hour.
(d)	<p>Passing a for-credit academic course that meets both of the following requirements:</p> <ul style="list-style-type: none"> • The subject matter of the course complies with R 338.5255. • The course is offered by an educational institution that complies with R 338.5115. <p>If audited, the licensee shall submit a copy of an official transcript or a letter from the institution confirming the name and course number of the course completed, credit hours earned, and date of satisfactory course completion.</p>	Fifteen continuing education hours shall be granted for each academic credit hour.
(e)	<p>Classroom work as a teacher, instructor, speaker, or lecturer that is part of an academic course of which the subject matter complies with R 338.5255 and is offered at an educational institution that complies with R 338.5115 or for conducting a group program that meets the requirements under activity code (a) as a teacher, instructor, lecturer, speaker, or seminar discussion leader.</p> <p>If audited, the licensee shall submit a copy of the confirmation letter provided by the</p>	<p>Twenty-five minutes of continuous instruction equals ½ of 1 continuing education hour. One-fifth of 1 continuing education hour shall be granted for every additional 10 minutes of continuous instruction after the first 25 minutes of continuous instruction.</p> <p>A maximum of 20 continuing education hours may be earned during each continuing education</p>

	<p>program sponsor or the institution verifying the licensee's name, number of hours of classroom work or hours spent conducting the group program, course title, course field of study, and dates of the presentation or instruction.</p>	<p>period.</p> <p>A maximum of 4 continuing education hours in auditing and accounting may be earned during each continuing education period.</p> <p>A maximum of 1 continuing education hour in the study of professional ethics may be earned during each continuing education period.</p>
(f)	<p>Completion of an individual self-study program that meets all the following requirements:</p> <ul style="list-style-type: none"> • The subject matter of the program complies with R 338.5255. • The program is an educational course designed for self-study. • The sponsor of the program issues the participants a written certification of the participant's completion of the program and a program outline. • The sponsor of the program maintains written records of the participant's completion of the program and the program outline for 4 years. <p>If audited, the licensee shall submit a copy of a letter or certificate of completion provided by the program sponsor verifying the licensee's name, number of continuing education hours earned, sponsor name and contact information, course title, course field of study, date completed, and type of instruction or delivery method used.</p>	<p>Twenty-five minutes of continuous instruction equals ½ of 1 continuing education hour. One-fifth of 1 continuing education hour shall be granted for every additional 10 minutes of continuous instruction after the first 25 minutes of continuous instruction.</p> <p>A combined maximum of 20 continuing education hours may be earned under this activity and activity (b) during each continuing education period.</p> <p>A combined maximum of 4 continuing education hours in auditing and accounting may be earned under this activity and activity (b) during each continuing education period.</p> <p>A combined maximum of 1 continuing education hour in professional ethics may be earned under this activity and activity (b) during each continuing education period.</p>
(g)	<p>A course in professional ethics that complies with the requirements of activity (a), (b), (c),</p>	<p>Continuing education hours shall be granted in an amount allowed</p>

	<p>(d), (e), or (f) is approved if the subject matter of the course complies with R 338.5255(2).</p> <p>If audited, the licensee shall submit a copy of a letter or certificate of completion provided by the program sponsor verifying the licensee's name, number of continuing education hours earned, sponsor name and contact information, course title, course field of study, date completed, and type of instruction or delivery method used.</p>	<p>under the type of activity for which the course qualifies.</p>
(h)	<p>Completion of a course in Michigan statutes and administrative rules applicable to public accountancy that meets all the following requirements:</p> <ul style="list-style-type: none"> • The content of the course is created by the Michigan Association of Certified Public Accountants. • The course provider issues the participants a written certification of the participant's completion of the course and a course outline. • The sponsor of the program maintains written records of the participant's completion of the course and the course outline for 4 years. <p>If audited, the licensee shall submit a copy of a letter or certificate of completion provided by the program sponsor verifying the licensee's name, number of continuing education hours earned, sponsor name and contact information, course title, course field of study, date completed, and type of instruction or delivery method used.</p>	<p>Fifty minutes of continuous instruction equals 1 continuing education hour.</p>

(2) Continuing education hours shall not be granted for a program or activity that has substantially the same content of a program or activity for which the applicant has already earned continuing education hours during the continuing education period.

History: 1979 AC; 1986 AACCS; 1996 AACCS; 1998-2000 AACCS; 2003 AACCS; 2019 AACCS.

R 338.5216 Rescinded.

History: 1986 AACS; 1996 AACS; 1998-2000 AACS; 2019 AACS.

R 338.5217 Rescinded.

History: 1986 AACS; 1996 AACS; 1998-2000 AACS; 2019 AACS.

R 338.5218 Rescinded.

History: 1986 AACS; 1996 AACS; 1998-2000 AACS; 2019 AACS.

R 338.5220 Rescinded.

History: 1979 AC; 1986 AACS; 1996 AACS.

R 338.5221 Rescinded.

History: 1986 AACS; 1998-2000 AACS.

R 338.5225 Rescinded.

History: 1979 AC; 1986 AACS; 1997 AACS.

R 338.5230 Relicensure; continuing education.

Rule 230. (1) An applicant for relicensure whose license has lapsed for less than 3 years after the expiration date of the last license may be relicensed under section 411(3) of the act, MCL 339.411(3), if the applicant satisfies both of the following requirements:

(a) Submits the required fee and a completed application on a form provided by the department.

(b) Submits proof to the department of the completion of 40 hours of continuing education within the 12 months immediately preceding the date of application. The 40 hours must comply with all the following requirements:

(i) Meet the requirements of R 338.5215.

(ii) Eight of the 40 hours are in auditing and accounting.

(iii) Two of the 40 hours are in professional ethics.

(iv) One of the 2 hours of professional ethics are in Michigan statutes and administrative rules applicable to public accountancy.

(2) An applicant whose license has been lapsed for 3 or more years after the expiration date of the last license may be relicensed under section 411(4) of the act, MCL 339.411(4), if the applicant satisfies all of the following requirements:

(a) Submits the required fee and a completed application on a form provided by the department.

(b) Establishes that he or she holds a valid and unrevoked certificate as a certified public accountant that was issued pursuant to section 725 or 726 of the act, MCL 339.725 or 339.726

(c) Submits proof to the department of the completion of 40 hours of continuing education within the 12 months immediately preceding the date of application. The 40 hours must comply with all the following requirements:

(i) Meet the requirements of R 338.5215.

(ii) Eight of the 40 hours are in auditing and accounting.

(iii) Two of the 40 hours are in professional ethics.

(iv) One of the 2 hours of professional ethics are in Michigan statutes and administrative rules applicable to public accountancy.

(2) The continuing education hours required for the continuing education period of the year in which the license is granted under this rule shall be prorated starting with the month following the date of relicensure.

History: 1979 AC; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2003 AACS; 2013 AACS; 2019 AACS.

R 338.5235 Rescinded.

History: 1979 AC; 1986 AACS; 1997 AACS.

R 338.5240 Rescinded.

History: 1979 AC; 1986 AACS; 1998-2000 AACS; 2013 AACS; 2019 AACS.

R 338.5245 Rescinded.

History: 1979 AC; 1986 AACS.

R 338.5250 Rescinded.

History: 1979 AC; 1986 AACS.

R 338.5255 Qualifying continuing education subjects.

Rule 255. (1) Subjects qualifying for continuing education include any of the following:

(a) Accounting.

(b) Auditing.

(c) Management advisory services.

(d) Information technology.

(e) Mathematics, statistics, probability, and quantitative application to business.

- (f) Economics.
 - (g) Finance.
 - (h) Business law.
 - (i) Business management.
 - (j) Professional ethics for certified public accountants.
 - (k) Taxation.
 - (l) Financial advisory services.
 - (m) Business valuations.
 - (n) Any other subjects which contribute to the professional competency of a licensee and for which the responsibility for compliance rests solely with the licensure applicant or licensee.
- (2) Subjects that qualify for continuing education in the study of professional ethics include any of the following:
- (a) Behavioral ethics in any of the following areas:
 - (i) Ethical reasoning.
 - (ii) Ethical philosophy.
 - (iii) Ethics enforcement.
 - (iv) Ethical practice in business.
 - (v) International ethical professional standards.
 - (b) Technical ethics in the following areas:
 - (i) Business transactions with clients.
 - (ii) Competence.
 - (iii) Conflict of interest.
 - (iv) Contingent fees, commissions, and other considerations.
 - (v) Discreditable acts.
 - (vi) General and professional standards.
 - (vii) Independence.
 - (viii) Integrity and objectivity.
 - (ix) Malpractice
 - (x) Professional conduct.
 - (xi) Public interest and responsibilities.
 - (xii) State rules and regulations.
 - (c) Any other subject in the study of professional ethics that contributes to the professional competency of a licensee and for which the responsibility for compliance rests solely with the licensure applicant or licensee.

History: 1979 AC; 1986 AACCS; 1996 AACCS; 1998-2000 AACCS; 2013 AACCS; 2019 AACCS.

R 338.5260 Rescinded.

History: 1979 AC; 1986 AACCS; 2013 AACCS.

R 338.5265 Rescinded.

History: 1979 AC; 1986 AACCS.

R 338.5270 Rescinded.

History: 1979 AC; 1986 AACCS; 2013 AACCS.

R 338.5275 Rescinded.

History: 1979 AC; 1986 AACCS; 1996 AACCS; 1998-2000 AACCS.

R 338.5280 Rescinded.

History: 1979 AC; 1986 AACCS.

R 338.5285 Rescinded.

History: 1979 AC; 1986 AACCS; 1996 AACCS.

R 338.5301 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5303 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5304 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5305 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5309 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5311 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5313 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5315 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5317 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5319 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5321 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5323 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5325 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5327 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5329 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5331 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5333 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5335 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5337 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5339 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5341 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5343 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5345 Rescinded.

History: 1979 AC; 1998-2000 AACCS.

R 338.5347 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5349 Rescinded.

History: 1979 AC; 1996 AACCS.

R 338.5351 Rescinded.

History: 1979 AC; 1996 AACS.

PART 4. PROFESSIONAL CONDUCT

R 338.5401 Responsibility for conduct of supervised persons.

Rule 401. (1) The department may hold a an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm responsible for compliance with the rules of professional conduct by all persons under their supervision. If the licensee is a firm, then the department shall hold the firm, and shall hold an out-of-state firm, responsible for compliance with the rules of professional conduct by all of its employees.

(2) An individual licensee, a firm licensee, and individual with practice privileges, or an out-of-state firm, shall not permit others to carry out on its behalf acts which, if carried out by the individual licensee, firm licensee, individual with practice privileges, or out-of-state firm, would constitute a violation of the rules of professional conduct.

History: 1979 AC; 1986 AACS; 1998-2000 AACS; 2013 AACS.

R 338.5405 Independence rule; adoption by reference.

Rule 405. An individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm may express an opinion on financial statements of an enterprise only if the individual licensee, firm licensee, individual with practice privileges, or out of-state firm is independent from the enterprise. The standards adopted in R 338.5102(1) shall be used to determine if the individual or firm is independent from the enterprise.

History: 1979 AC; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2003 AACS; 2007 AACS; 2013 AACS; 2017 AACS.

R 338.5410 Rescinded.

History: 1979 AC; 1986 AACS; 1997 AACS.

R 338.5415 Rescinded.

History: 1979 AC; 1986 AACS; 1997 AACS.

R 338.5420 Rescinded.

History: 1979 AC; 1986 AACS; 1997 AACS.

R 338.5425 Rescinded.

History: 1979 AC; 1986 AACS; 1997 AACS.

R 338.5430 Rescinded.

History: 1979 AC; 1986 AACS; 1998-2000 AACS.

R 338.5435 Licensee competence required to undertake professional engagement.

Rule 435. An individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm shall not undertake a professional engagement that the individual licensee, firm licensee, individual with practice privileges, or out-of-state firm cannot competently complete.

History: 1979 AC; 1986 AACS; 1998-2000 AACS; 2013 AACS.

R 338.5440 Rescinded.

History: 1979 AC; 1986 AACS; 1998-2000 AACS.

R 338.5445 Rescinded.

History: 1979 AC; 1986 AACS; 1998-2000 AACS.

R 338.5446 Rescinded.

History: 1986 AACS; 1998-2000 AACS; 2013 AACS.

R 338.5450 Rescinded.

History: 1979 AC; 1986 AACS; 1998-2000 AACS.

R 338.5460 Contingent fees.

Rule 460. (1) As provided in section 730 of the act, a contingent fee is a fee paid by a client to an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm.

(2) An individual licensee, firm licensee, an individual with practice privileges, or an out-of-state firm who is paid or expects to be paid a contingent fee by a client shall disclose that fact to the client.

(3) As used in section 730(4) of the act, the term "tax matters" relates to the preparation of an original or amended tax return or claim for tax refund and includes giving advice on events that occurred before the time the advice is given if the advice is directly relevant to determining the existence, character, or amount of a schedule, entry, or other portion of a return of claim for refund.

(4) As provided in section 730(4) of the act, a fee is considered determined, based on the findings of a governmental agency, if the individual licensee, firm licensee, individual with practice privileges, or out-of-state firm can demonstrate a reasonable expectation at the time of a fee arrangement of substantive consideration by the agency with respect to the client. An expectation of substantive consideration is deemed not reasonable for preparation of original tax returns.

History: 1979 AC; 1986 AACS; 1998-2000 AACS; 2013 AACS.

R 338.5465 Acts constituting discreditable conduct.

Rule 465. Any of the following acts by an individual licensee, firm licensee, an individual with practice privileges, or an out-of-state firm, constitutes conduct that is discreditable to the accounting profession:

- (a) Using deceptive representations in connection with services performed.
- (b) Representing that services are of a particular standard when they are not.
- (c) Failing to perform, on a timely basis, services in accordance with the conditions, terms, or prerequisites of a public communication or any quotation.
- (d) Misrepresenting facts or failing to disclose relevant facts.
- (e) Creating false or unjustified expectations of favorable results.
- (f) Implying abilities not supported by valid educational or professional attainments or licensing recognition.
- (g) Implying the ability to influence improperly any court, tribunal, or other public body or official.
- (h) Making any other representation or implication that is false, deceptive, or misleading.
- (i) Employing or engaging a person to perform a discreditable act.
- (j) Engaging in a trade practice prohibited by law.
- (k) Retaining documents constituting the original books and records of a client after a demand has been made for their return.
- (l) Failing to respond, within a reasonable time, to inquiries of the board or its authorized representatives relative to the administration of the act.
- (m) Providing false or misleading information on the qualifying experience of an applicant for certified public accountant.
- (n) Stating or implying that the individual licensee, firm licensee, individual with practice privileges, or out-of-state firm has received formal recognition as a specialist in any aspect of the practice of public accountancy if the individual licensee, firm licensee, individual with practice privileges, or out-of-state firm has not received the recognition.

(o) Representing that professional services can or will be competently performed for a stated fee when this is not the case, or making representations with respect to fees for professional services that do not disclose all variables which may reasonably be expected to affect the fees that will in fact be charged.

History: 1979 AC; 1986 AACS; 1996 AACS; 1998-2000 AACS; 2013 AACS.

R 338.5470 Rescinded.

History: 1979 AC; 1986 AACS.

R 338.5475 Payment or acceptance of commissions; "commission" defined.

Rule 475. (1) As used in section 731 of the act, "commission" means any remuneration paid to an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm by a third party in connection with a recommendation or referral of a person to the third party.

(2) As provided in section 731(3) of the act, a referral fee is not a commission when received or paid by an individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm for recommending or referring a client to another individual licensee, firm licensee, individual with practice privileges, or out-of-state firm for a service involving the practice of public accounting.

(3) An individual licensee, a firm licensee, an individual with practice privileges, or an out-of-state firm who is paid or expects to be paid a commission or a referral fee shall disclose that fact to the client.

History: 1979 AC; 1986 AACS; 1998-2000 AACS; 2013 AACS.

R 338.5480 Rescinded.

History: 1979 AC; 1986 AACS; 1998-2000 AACS; 2013 AACS.

R 338.5501 Peer review.

Rule 501. (1) Each firm or sole practitioner required to participate in a peer review program, pursuant to MCL 339.729(2), shall enroll in the program of a qualified sponsoring organization within 1 year of the earlier of the following:

(a) Its initial licensing date.

(b) The performance of services that require a peer review.

(2) Proof of a peer review shall not be required to be submitted to the department until the second renewal following initial licensure or the performance of services requiring a peer review.

(3) The department shall accept, as proof of compliance with MCL 339.729(2), the electronic submission of information from the facilitated state board access (FSBA) website.

(4) Qualified sponsoring organizations shall include the center for public company audit firms (CPCAF) peer review program, the American institute of certified public accountants (AICPA) peer review program, national conference of CPA practitioners (NCCPAP) peer review program, and such other entities that adhere to the peer review standards defined in R 338.5102(1)(a) as determined by the board. With respect to an out-of-state firm required to obtain a license under MCL 339.728(1)(b), a peer review sponsoring organization approved by another state in which that firm is licensed is presumed to be qualified in this state, with respect to that firm.

(5) A licensee subject to peer review shall not be required to become a member of any sponsoring organization.

(6) Out-of-state firms required to obtain a peer review under MCL 339.728(5) may, in lieu of enrolling in a program sponsored by an organization described in subrule (3) of this rule, comply with the peer review requirement applicable in the state where that firm is licensed, proof of which shall be furnished to the department upon the department's request.

History: 2007 AACCS; 2013 AACCS.

R 338.5503 Peer review standards; change in sponsoring organization; deficient peer review reports; documentation.

Rule 503. (1) If a firm is merged, otherwise combined, dissolved, or separated, the sponsoring organization shall determine which firm is considered the succeeding firm. The succeeding firm shall retain its peer review status and the review due date.

(2) A firm choosing to change to another sponsoring organization may do so provided that the firm authorizes the previous sponsoring organization to communicate to the succeeding sponsoring organization any outstanding corrective actions related to the firm's most recent review.

(3) The department may rely on a fail peer review report or a second consecutive pass with deficiencies peer review report as prima facie evidence of a violation of professional standards.

(4) Each peer review and reviewer must comply with the applicable review standards in place at the time of the review. The following apply:

(a) Documents related to a peer review shall be retained in accordance with the AICPA's retention policies pursuant to R 338.5102(1)(a), or until final adjudication of a complaint related to a peer review, whichever is later.

(b) The documents described in subdivision (a) of this subrule shall be available for inspection by the department during regular business hours with reasonable notice.

History: 2007 AACCS; 2013 AACCS.