

**252 CMR 2.00: REQUIREMENTS FOR CERTIFICATION**

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**2.01: Eligibility of Candidates to Take Examination**

(1) Persons desiring to take the examination for qualification as a certified public accountant shall apply on a form provided by the Board, or its designated examination administrator. The forms are obtainable from the Board's examination administrator's offices. Different forms and instructions will be provided for original examinations and for re-examinations.

(2) In order to sit for the Computer Based Examination (CBT), a candidate must be 18 years of age or older and must qualify for the CBT under the educational requirements of 252 CMR 2.07(2). Candidates may qualify to sit for the CBT prior to completion of the 120 semester hours (or 180 quarter hours) of college or university education; provided however, that within 90 days of sitting for the CBT the candidate shall provide a certified transcript to the Board or its designated exam administrator demonstrating that they have successfully completed 120 of the 150 required semester hours (or 180 of the 225 quarter hours) of college or university education from a nationally or regionally accredited institution as required by 252 CMR 2.07(2), where the successful completion of 120 semester hours (or 180 quarter hours) results in obtaining a bachelor's degree. Failure to provide said certified transcript within the 90 day period described above shall result in the loss of any credit received for any part of the exam passed prior to providing said certified transcript. The completed 120 semester hours (or 180 of the 225 quarter hours) necessary to sit for the CBT must include the

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equivalent of 21 undergraduate semester hours of accounting courses, including coverage in financial accounting, auditing, taxation, and management accounting, and the equivalent of 9 nine undergraduate semester hours of business courses, including coverage in the areas of business law, finance, and information systems.

#### 2.02: Times and Places of Examinations

The procedures for the Computer Based Examination (CBT) and its availability are described in 252 CMR 2.00. For all examinations, the applications shall be accompanied by a payment for the required fee. Candidates whose applications are approved by the Board or its designee will receive a notice of the place, date and hours of such examinations. The Board, in its discretion, may permit an applicant who is a resident of the Commonwealth of Massachusetts to sit for the examination in another state; the taking of such examination by such applicant, however, shall be under the jurisdiction of this Board and subject to 252 CMR.

#### 2.03: Administration and Grading of Examinations

The Board has adopted and makes use of the examinations (Uniform CPA Examination) and advisory grading service provided by the Board of Examiners of the American Institute of Certified Public Accountants (AICPA).

#### 2.04: Subject Matter of Examinations

The CBT consists of four sections. The titles of the CBT sections are: Auditing and Attestation; Financial Accounting and Reporting; Regulation; and Business Environment and Concepts.

#### 2.05: Recognition of Full or Partial Credits Granted by Other States

Recognition will be given to a candidate for satisfactory completion of one or more subjects given by a licensing authority in another state, if the examination given by the licensing authority in the other state was the Uniform CPA Examination established by and graded as passing by the Board of Examiners of the AICPA, provided that conditional credit would have been given under 252 CMR 2.06 had the examination been taken in Massachusetts.

#### 2.06: Granting of Full or Partial Credits to Candidates Who Pass Examination in One or More Subjects; Re-examination

##### (1) Passing the Computer Based CPA Examination.

- (a) A candidate may take the required test sections individually and in any order. Credit for passing any test section(s) shall be valid for that test section for thirty (30) 48-months from the actual date the candidate took the test section date the passing score for such test section is released by NASBA to the candidate or the Board, taking into account the Transitional Provisions in 252 CMR 2.06(4) below, without having to attain a minimum regard to the score on any failed test sections(s) and without regard to whether the

candidate has taken other test sections.

(b) Candidates must pass all ~~four test~~ required sections of the Uniform CPA Examination with a grade of 75 or higher within a rolling ~~18 thirty~~ (30) month period, which begins on the date that the first test section(s) that is passed is taken. ~~passing score(s) are released by NASBA to the candidate or the Board, taking into account the Transitional Provisions in 252 CMR 2.06(4) below. The rolling thirty (30) month period concludes on the date the candidate sits for the final test section passed, regardless of when the score is released by NASBA for the final test section.~~

(c) ~~Candidates cannot retake a failed test section(s) in the same examination window. An examination window refers to a three month period in which candidates have an opportunity to take the CPA examination composed 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.~~

(~~dc~~) In the event ~~that~~ all four test sections of the CBT are not passed within the rolling ~~18 30~~ month period ~~(taking into account the Transitional Provisions in 252 CMR 2.06(4) below)~~, credit for any test section(s) passed outside the ~~18 30~~ month period will expire and test section(s) must be retaken.

(~~ed~~) A candidate shall be deemed to have passed the ~~CBT CPA Exam~~ once the candidate possesses at the same time valid credit for passing each of the four test sections of the ~~CBT CPA Exam~~ within the time frame described above. For purposes of 252 CMR 2.06(~~3~~), credit for passing a test section of the ~~CBT CPA Exam~~ is valid from the ~~actual date of the testing event for that test section, regardless of the date the candidate actually receives~~ date that the test administrator releases notice of the passing grade.

(2) Military Service. The time limitations within which a candidate is required to pass subjects under 252 CMR 2.06(1) shall not include any period during which the applicant is on active duty in the Armed Services of the United States.

(3) Examination Results. The Board or its designee will advise a candidate whether the candidate has passed all or any part of the examination.

(4) Transitional Provisions. Any candidate who has or had one or more credits on or after January 30, 2020, shall maintain or receive credit as follows:

a. In response to the significant health, economic, educational, and travel disruptions resulting in CPA Examination candidate hardships, credits that expired during the period of the public health emergency declared by the United States Department of Health and Human Services from January 30, 2020, through May 11, 2023, which have not been subsequently replaced by new credits for the same sections, will be extended through June 30, 2025.

b. Credit received under the existing examination that expire on or after May 12, 2023, and credits received under the revised examination after January 1, 2024 will be valid for 30 months from the date the first passing credit was released by NASBA.

c. A candidate who has credit for the Auditing and Attestation (AUD), Financial

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Accounting and Reporting (FAR), or Regulation (REG) sections of the examination as of January 1, 2024 will not be required to take the corresponding new Core section of the examination effective on that date. However, a candidate who loses credit for AUD, FAR or REG after June 30, 2025 must take the corresponding new Core section of the examination.

- c. A candidate who has credit for the Business Environment and Concepts (BEC) section of the examination as of January 1, 2024 will not be required to take any of the three Discipline sections effective on that date. However, a candidate who loses credit for BEC after June 30, 2025 must take one of the three new Discipline sections of the examination.

**2.07: Education, Experience and Other Requirements for Issuance of Certificate as Certified Public Accountant**

(1) **Formal Application.** An applicant for a Certificate as a Certified Public Accountant who has passed the examination set by the Board shall file with the Board a formal application for such certificate, accompanied by payment of the required fee. A form for application may be obtained from the offices of the Board. An applicant must also submit an official certification of completion of 150 semester of education hours to the Board's designated exam administrator or an official transcript from colleges or universities as provided in 252 CMR 2.07(2)(a), experience letter(s) from employer(s) as provided in 252 CMR 2.07(2)(b), and three letters from employers, business associates or clients attesting to the applicant's character and fitness. A recent un-mounted passport-size photograph must also be attached to that application.

(2) **Education and Experience Requirements.** An applicant for a Certificate as a Certified Public Accountant who sat for the CBT prior to or with 120 hours of education and who has successfully passed the examination, and qualifies otherwise in the opinion of the Board, shall receive a Certificate as a Certified Public Accountant upon satisfying the Board that the applicant has successfully met the 150 hour education requirement. All candidates shall submit official transcripts from colleges or universities as provided in 252 CMR 2.07(2) (a) or shall submit an Academic Evaluation for Certification Report from the Board or its designee.

(a) **Education Requirements.** A candidate for a Certificate as a Certified Public Accountant shall complete 150 semester hours (225-quarter hours) of college or university education to include a bachelor's degree from a nationally or regionally accredited institution. For the purposes of determining equivalence of quarter hours, 4½-quarter hours will equal three credit hours. The Board will review successful completion of three-quarter hour courses; provided that the accounting and business course requirements total 36-quarter hours each.

The candidate must have completed the 150-hour education requirement for eligibility for a Certificate as a Certified Public Accountant in accordance with one of the following four provisions.:

1. Earned a graduate degree in accounting from a program at a nationally or regionally accredited college or university that is further accredited by the Association to Advance Collegiate Schools of Business (AACSB). Programs not

accredited by AACSB must be approved by the Board or an Educators Credential Committee appointed by the Board upon a written request from such college or university. The Educators Credential Committee will consist of at least three accounting educators selected by the Board from the faculty of nationally or regionally accredited educational institutions located in the Commonwealth of Massachusetts;

2. Earned a graduate degree in accounting, business administration or law from a nationally or regionally accredited college or university. This degree, together with an undergraduate degree from another accredited institution, must include 30 semester hours (45-quarter hours) of accounting at the undergraduate level, or 18 semester hours (27 quarter hours) of accounting at the graduate level. The accounting credits shall include coverage in financial accounting, auditing, taxation, and management accounting. In addition, the degree must include or be supplemented by, 24 semester hours (36 quarter hours) of business courses (other than accounting courses) at the undergraduate level or 18 semester hours (27 quarter hours) at the graduate level, or an equivalent combination thereof; or

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3. Earned at least a bachelor's degree from a nationally or regionally accredited college or university. This degree must include or be supplemented by 30 semester hours (45-quarter hours) of accounting courses. The accounting credits shall include coverage in financial accounting, auditing, taxation, and management accounting. In addition, the degree must include, or be supplemented by, 24 semester hours (36-quarter hours) of business courses other than accounting courses. These business courses shall include coverage in the areas of business law, information systems, finance, and coverage in at least one of the areas of economics, business organizations, professional ethics, and/or business communication.

(b) Experience Requirements.

1. All applicants for a certificate as a Certified Public Accountant shall obtain experience providing any type of services or advice using accounting attest, compilation, management advisory, financial advisory, tax and consulting skills.

2. Experience shall consist of:

a. full or part-time employment in public accounting that and the total of all such positions of employment extends ~~s-ing~~ over a period of no less than a year and no more than three years and includes no fewer than 2,000 hours of performance of services described in 252 CMR 2.07(1). The hours of work experience may be obtained while working in more than one position during that time period.

b. full or part-time employment in non-public accounting and the total of all such positions of employment that extend ~~s~~ over a period of no less than three years and no more than nine years and includes no fewer than 2,000 hours of performance of services described in 252 CMR 2.07(1). The

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hours of work experience may be obtained while working in more than one position during that time period. Acceptable experience shall include employment in industry, government, academia or nonprofit. The Board shall look at such factors as the complexity and diversity of the work.

3. Applicants for the certificate and license privileges must document the experience requirement by submitting to the Board a letter or statement from each licensee under whom the experience was obtained over the most recent period of the applicant's experience of the length required. All statements must describe the type and exact dates of the applicant's experience by a current licensee (at the time experience was obtained), including a partner, shareholder or member of such public accounting firm, government supervisor or CPA supervisor of non-public experience shall attest to that experience, under the pains and penalties of perjury.

(3) Exceptions to Education and Experience Requirements. A candidate who sat for the paper based examination without complying with the educational requirements of 252 CMR 2.07(2)(a)(1) through 252 CMR 2.07(2)(a)(3) may qualify for issuance of a Certificate as a Certified Public Accountant and a full reporting license if the applicant meets the education and experience requirements that were in existence at the time the candidate first sat for the examination in some prior year, or obtains the education requirements of 252 CMR 2.07(2)(a)(1) through 252 CMR 2.07(2)(a)(3).

(4) Calculation of Full-time Experience. The Board will provide credit for full-time experience as a practicing public accountant only if such full-time experience extends over an uninterrupted period of two months or more with a minimum of 35 hours worked per week in conformity with 252 CMR 2.07(2)(b)(2). The Board will provide credit for part-time experience only if such part-time experience extends over an uninterrupted period of two months or more with a minimum of 20-ten (10) hours worked per week in conformity with 252 CMR 2.07(2)(b)(2), such credit to be granted only for experience in public accounting calculated on the basis of hours actually devoted to such qualifying part-time experience. For this purpose, sickness and legal holidays do not interrupt what would otherwise be uninterrupted service. The Board will provide credit for:

(a) full-time experience in the government or non-public accounting equivalent described in 252 CMR 2.07(5), only if such full-time experience extends over an uninterrupted period of 12-two (2) months or more with a minimum of 35 hours worked per week in conformity with 252 CMR 2.07(2)(b)(2); or

~~(b)~~ ~~(b)~~ part-time experience only if each part-time experience extends over an uninterrupted period of 12-two (2) months or more, with a minimum of 20-ten (10) hours per week, calculated on the basis of hours actually devoted to such qualifying part-time experience.

~~(b)~~ ~~(c)~~ The Board will provide experience credit under this section for paid internships, but only if such internships are not awarded academic credit for purposes of fulfilling the 150-hour requirement in 252 CMR 2.07(2). An internship is defined as a

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supervised work experience in public or non-public accounting in which the supervisee performs accounting services that a regularly employed accountant in the setting would be expected to perform and are reviewed by a licensed supervisor.

(5) Government/Non-Public Accounting Experience.

(a) The Board, in its discretion, may grant credit of one year of requisite experience for non-public accounting work or non-audit government work under the direct supervision of a Certified Public Accountant, for every three full years of service in a position having a responsibility level above entry-level, provided that, in the opinion of the Board, such experience is substantially equivalent to that of public accounting practice.

(b) The Board, in its discretion, may grant credit for field audit work, including the direct supervision of field audit work, with the United States Government or any agency or subdivision of the Commonwealth with a demonstrated emphasis on the expression of opinions on financial statements in accordance with generally accepted auditing standards, the review of and report on internal controls, the application of varied auditing procedures, the preparation of audit working papers for account examinations, the planning of auditing work programs, the preparation of written explanations and comments on examination findings and the preparation and analysis of financial statements. The experience required by this clause, as approved by the board, shall be considered work experience on the same basis as experience in public accounting practices; provided, however, that adherence to the standard of independence is strictly applied.

(6) Waiving Requirements Before Examination. Applicants who qualify in other respects may sit for the examination before satisfying the experience requirements of 252 CMR 2.07(2)(b).

(7) Rejection of Application. If an application for a certificate is rejected by the Board for insufficient experience or other cause, the applicant, at any later time, may request the Board to reconsider the application if the deficiencies have been removed.

2.08: Reciprocity for Persons Qualified in Other States and/or Canada and Other Jurisdictions

(1) Licensure by Reciprocity.

(a) United States or United States Territories Licensees. Upon completion of the application and payment of the fee therefore the board shall issue a Commonwealth of Massachusetts certificate to a holder of a certificate issued by another state upon a showing that:

1. The applicant passed the examination required for issuance of his certificate with grades that would have been passing grades at the time in the Commonwealth; and
2. The applicant:
  - a. meets all current requirements in the Commonwealth for issuance of a certificate at the time application is made; or
  - b. at the time of the issuance of the applicant's certificate in the other state, met all such requirements then applicable in the Commonwealth; or

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e. had four years of experience in the practice of public accountancy after becoming certified in the other state, and within the ten years immediately preceding his application.

3. The above requirements shall be demonstrated in accordance with the following provisions:

a. The applicant for licensure by reciprocity shall a. produced, attached to the application, a copy of his or her valid certificate or license as a Certified Public Accountant, and;

b. ~~The b.~~ certificate or license as a Certified Public Accountant ~~must be~~ was issued by a state ~~which the NASBA (National Association of State Boards of Accountancy) National Qualification Appraisal Service has~~ verified to be in substantial equivalence with the Certified Public Accountant licensure requirements of the AICPA/NASBA Uniform Accountancy Act, or

c. If the certificate or license as a Certified Public Accountant was not issued by a State ~~which the NASBA National Qualification Appraisal Service states is not~~ ~~is deemed to have~~ substantial equivalence, the applicant must:

i. ~~Meet all current requirements in the Commonwealth for issuance of a certificate at the time application is made; or~~

ii. ~~At the time of issuance of the applicant's certificate in the other state, have met all requirements then applicable in the Commonwealth; or~~

iii. ~~The applicant must demonstrate that he or she has met the education requirements of 252 CMR 2.07 and has been engaged in the full time practice of public accountancy as a Licensed Certified Public Accountant for four of the ten years preceding the date of application for Commonwealth of Massachusetts reciprocal licensure.~~

(b) Canadian Chartered Accountants. Canadian Chartered Accountants (CA) who have successfully completed the Canadian Uniform Final Examination are not required to complete the Uniform CPA Examination in order to achieve the CPA designation. CA applicants for reciprocity shall meet the following requirements:

1. CA applicants shall have passed the International Uniform CPA Qualification Examination (IQEX) designed to ensure that they have satisfactory knowledge of relevant U.S. legislation, standards, and practices. In addition to passing IQEX, licensure applicants must satisfy the requirements of 252 CMR 2.07(2)(b) regarding experience in order to obtain the CPA designation.

2. CA applicants must hold a valid, current license to practice in Canada.

3. CA applicants shall furnish written credentials in regard to education, character, and general qualifications in the same form as is required of all other applicants.

(c) Other Foreign Licensed Chartered Accountants. The Board in its discretion and on a case by case basis, will accept applications for other foreign licensed Charter Accountants or CPAs to sit for and pass the IQEX and apply for reciprocity based upon their compliance with the education and experience requirements of 252 CMR 2.07 or the requirements of a Mutual Recognition Agreement entered into by NASBA, and AICPA with the individual's home country. All applicants must hold a current license to practice

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in these other jurisdictions. These applicants shall furnish written credentials with regard to character and general qualifications in the same form as is required for all other applicants.

#### 2.09: Destroying Examination Papers

The Board in its discretion and with the approval of the Commonwealth's Supervisor of Public Records may authorize examination papers to be destroyed six months after the examination.

#### 2.10: Code of Ethics and Rules of Professional Conduct

The Board has adopted and published 252 CMR 3.00: *Code of Ethics Rules of Professional Conduct* for fixing and maintaining high standards of integrity and dignity in the profession of public accounting in Massachusetts. Such Code and Rules apply in equal measure to all certified public accountants and public accountants licensed under M.G.L. c. 112, §§ 87A through 87E½.

The Board also adopts by reference the *Code of Professional Conduct of the American Institute of Certified Public Accounts* as published by the American Institute of Certified Public Accountants to the extent that the applicable provisions thereof do not conflict with the Code and Rules of 252 CMR 3.00: *Code of Ethics and Rules of Professional Conduct*.

#### 2.11: Affirmative Action Against Unlawful Discrimination

(1) Purpose. 252 CMR 2.00 is adopted to assure that every person licensed by the Board complies with the equal employment, housing, public accommodations and fair business practices provisions of M.G.L. c. 151B in the conduct of his or her profession.

(2) Standard of Conduct. The standard of conduct of this profession requires that every applicant or licensee comply with the equal employment, housing, public accommodations and fair business practices provisions of M.G.L. c. 151B in the conduct of his or her profession.

(3) Disclosure of Unlawful Practices. Every applicant for registration and every applicant for renewal of a license shall disclose as part of the application, any finding of any unlawful practice which has been made by the Massachusetts Commission Against Discrimination or by a court pursuant to M.G.L. c. 151B, §§ 5 and 9.

(4) Adjudicatory Hearing. The Board may conduct an adjudicatory hearing to consider the fitness of an applicant or licensee to practice or to continue to practice the profession after a finding of an unlawful practice which has been made by the Massachusetts Commission Against Discrimination or by a court.

(5) Disciplinary Action. After an adjudicatory hearing, the Board shall consider and may take appropriate disciplinary action including censure, suspension, revocation or denial of

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licensure or fine against an applicant or licensee who is the subject of a finding of unlawful practice which has been made by the Massachusetts Commission Against Discrimination or by a court.

#### 2.12: Communications

A certified public accountant, or CPA firm when requested, shall respond to communications from the Board within 30 days of the mailing of such communications by regular mail, registered or certified mail. A certified public accountant or licensed firm shall notify the Board, in writing, within 30 days of any change in the licensee's name, or legal address.

#### 2.13: Non-prohibited and Prohibited Services

As provided in M.G.L. c. 112, § 87D(a) through (c), no person or firm not holding a valid license shall issue a report (audit, review or compilation) on financial statements of any person, firm, organization or governmental unit. 252 CMR 2.13 does not apply to an officer, partner, shareholder or member or employee of any firm or organization affixing a signature to any statement or report in reference to the financial affairs of such firm or organization or subsidiary or franchise of said organization with any wording designating the position, title or office held therein; nor does it apply to any act of a public official or employee in the performance of official duties as such; nor does it apply to the performance by persons other than licensees of other services involving the use of accounting skills, including the preparation of tax returns and the preparation of financial statements without the issuance of reports thereon. 252 CMR 2.13 shall also not apply to an individual qualifying to engage in the practice of public accountancy pursuant to G.L. c. 112, §87B(h)(2). Any person currently licensed in another state can, pursuant to G.L. c. 112, §87B(h)(2) enter Massachusetts and engage in the practice of public accountancy and provide any services other than those that may be restricted by any other state Board for similar services provided by Massachusetts CPA's in these other states; and also, no firm currently licensed in another state per M.G.L. c. 112, §87B(h)(2) can enter Massachusetts and provide these restricted services. If a CPA firm from a state where that Board requires firm registration in their state to perform any restricted services enters Massachusetts to perform these restricted services, the CPA firm must obtain a Massachusetts CPA license

#### 2.14: Mandatory Continuing Professional Education

(1) Purpose. 252 CMR 2.14 may be cited and referred to as the "Public Accountancy Continuing Education Rules". They are subject to amendment, modification, revision, supplement, repeal or other change by appropriate action in the future. The purpose of 252 CMR 2.14 is to require all certified public accountants licensed pursuant to M.G.L. c. 112, §87B to comply with continuing education requirements. The Board anticipates that licensees will maintain the high standards of the profession in selecting quality educational programs to fulfill the continuing education requirement.

(2) Basic Requirements. During the two year period immediately preceding relicensing,

applicants for biennial license renewal must complete ~~80-480~~ hours of acceptable continuing education, except as stated in 252 CMR 2.14(6). Four hours of acceptable continuing education shall be in the area of professional ethics. Although ~~80-480~~ hours acquired in one of the two years covered by the registration period qualifies a registrant for the two year period, no carryover is permitted from one two year period to another. Only class hours or the equivalent (and not student hours devoted to preparation) will be used to measure the hours of continuing education submitted by individual candidates to the Continuing Education Committee, appointed by the Board. The Board may provide for prorated continuing professional education requirements to be met by applicants whose initial licenses were issued substantially less than two years prior to the renewal date.

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(4) Programs Which Qualify.

(a) A specific program qualifies as acceptable continuing education if it is a formal program of learning which contributes directly to the professional competence of a licensee in public practice. Each individual licensee will determine the course of study to be pursued.

(b) The following are deemed to qualify as acceptable continuing education programs, provided the standards outlined in 252 CMR 2.14(4)(c) are maintained. The Board may require that sponsors of continuing education programs be pre-approved by registering with the Board or its designee.

1. Professional development programs of national and state accounting organizations.
2. Technical sessions at meetings of national and state accounting organizations and their chapters.
3. University or college courses:
  - Credit courses - each semester hour credit shall equal 15 hours toward the requirement.
  - Non-credit courses - each classroom hour will equal one qualifying hour.
4. Programs in other organizations (accounting, industrial, professional, etc.).
5. Other organized educational programs on technical and other practice subjects.

(c) In order to qualify under 252 CMR 2.14(4)(b), a program must:

1. require attendance;
2. be conducted by a qualified instructor or discussion leader;
3. require a maintained record of attendance; and
4. require a written outline to be retained.

(d) Formal correspondence or other individual study programs which provide evidence of satisfactory completion may qualify, with the amount of credit to be determined by the Continuing Education Committee. The Continuing Education Committee will not approve any program of learning that does not offer sufficient evidence that the work has actually been accomplished.

(e) For purposes of these regulations, the Board shall calculate continuing education hours as follows:

1. 50 minutes of instruction shall be considered equivalent to 1 credit hour;
2. 25 minutes of instruction shall be considered equivalent to .5 credit hour;
3. 10 minutes of instruction shall be considered equivalent to .2 credit hour;

4. Instruction of duration other than set forth in these regulations shall be rounded down to the lowest 10-minute increment; and

5. Instruction of a duration less than 10 minutes may not qualify for continuing education credit.

(f) Credit may be awarded for published articles and books, and for teaching courses contribute directly to professional competence of a licensee in public practice. The amount of credit so awarded will be determined by the Continuing Education Committee and shall not exceed a maximum of 25% of the renewal period requirement.

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(5) Control and Reporting. Candidates for biennial license renewal must provide a signed statement, under penalty of perjury, supported by documentation disclosing the following information pertaining to the education programs submitted for qualification under the Public Accountancy Continuing Education Rules:

- (a) school, firm or organization conducting course;
- (b) location of course;
- (c) title of course or description of content;
- (d) dates attended; and
- (e) hours claimed.

The Continuing Education Committee will verify, on a test basis, information submitted by licensees. If a Continuing Education Statement submitted by an applicant for biennial license renewal as required by 252 CMR 2.00 is not approved, the applicant shall be so notified and the applicant may be granted a period of time by the Board in which to correct the deficiencies noted.

(6) Exceptions. The Board may make exceptions from the Public Accountancy Continuing Education Rules where:

- (a) reasons of health, certified by a medical doctor, prevent compliance by the licensee;
- (b) the licensee is on active duty with the Armed Services of the United States; or
- (c) other good cause exists.

No exception shall be made solely because of age.

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(7) Fees. The Board shall establish a biennial fee for processing and maintaining licensees' Continuing Education Statements and other related documents.

## 2.15: Quality Review Requirement

(1) Definitions.

(a) Board, Licensee, Practice of Public Accountancy, and Quality Review are defined as set forth in M.G.L. c. 112, § 87A.

(b) Practice Unit means:

- 1. Each individual licensed by the Board who is engaged in the practice of public accountancy as a sole proprietor; or
- 2. Each firm licensed by the Board to engage in the practice of public accountancy.

(c) Multi-jurisdictional Practice Unit means a practice unit with some members or employees who hold licenses issued by the Board and with other members or employees who have similar authority to practice public accountancy in one or more other jurisdictions.

(d) Quality Reviewer means a certified public accountant responsible for conducting the quality review holding a valid and active license to practice accounting in good standing by this state or some other state who meets the reviewer requirements of the quality review program. Qualifications of approved reviewers are stated in 252 CMR 2.15(3).

(e) Report Acceptance Body is the Sponsoring Organization's committee responsible for, but not limited to, the acceptance of quality review documents.

(f) Review Oversight Board means a committee of individuals licensed and appointed by the Board to provide oversight of the administration of approved quality review programs in order to provide reasonable assurance that quality reviews are being conducted and reported on in accordance with the minimum standards for performing and reporting on quality reviews.

(g) Compilation means providing a service to be performed in accordance with Statements on Standards for Accounting and Review Services (SSARS), that is presenting in the form of financial statements on information that is the representation of management (owners) without undertaking to express any assurance on the statements.

(h) Engagement Review: A quality review where the quality reviewer evaluates and reports on whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects.

(i) AICPA: Means the American Institute of Certified Public Accountants.

(j) PCAOB: Public Company Accounting Oversight Board that conducts firm inspections of public accounting firms that perform audits for publicly-held companies.

(k) Attest means providing the following financial statement services:

- (1) any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS);
- (2) any review or compilation of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS);

(3) any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE); and

(4) any engagement to be performed in accordance with the standards of the PCAOB; and

(5) any examination, review, or agreed upon procedures engagement to be performed in accordance with the SSAE, other than an examination described in subsection (3).

(l) System Review: A quality review intended to provide the quality reviewer with a reasonable basis for expressing an opinion on whether, during the year under review: a) the reviewed firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards and b) the reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

(m) Sponsoring Organization: Means a Board-approved professional society, or other organization responsible for the facilitation and administration of quality reviews through use of its quality review program and quality review standards

(n) Quality Review Programs: Includes the Sponsoring Organization's entire quality review process, including but not limited to the standards for administering, performing and reporting on quality reviews, oversight procedures, training, and related guidance materials.

(2) Quality Review Certification and Compliance of Requirements.

(a) Every licensee, as a condition for the renewal of a license to practice public accountancy, must certify under the pains and penalties of perjury either:

1. That the practice unit or, for individuals, the practice unit by which the individual is employed or is a member, partner or shareholder, has, within the three years immediately preceding the application for renewal, completed a quality review which has been accepted by a report acceptance body (or, for multi-jurisdictional practice units, a quality review which meets the requirements of 252 CMR 2.15(10)) and any actions mandated by the report acceptance body; or

2. That the practice unit, or for individuals, the practice unit by which the individual is employed or is a member, partner or shareholder, has conducted no attest or compilation engagements during the three years preceding the application for license renewal; and that the practice unit or individuals who are members, partners or shareholders of a practice unit will inform the Review Oversight Board if the practice unit undertakes an audit, review or compilation engagement and the practice unit, or, for individuals, the practice unit in which the individual is a member, partner or shareholder will undergo a quality review within eighteen months of undertaking any such engagement.

(b) If a practice unit by which an individual licensee is employed or is a member, partner

or shareholder has conducted an attest of compilation engagement during the three years preceding the application for license renewal, the licensee must further certify under the pains and penalties of perjury that the quality review was completed.

(c) Every practice unit must cooperate with the approved reviewer, sponsoring organization, and the Review Oversight Board and take all steps necessary, including the payment of all costs and fees relating to the quality review, to comply with the quality review requirement.

(d) A practice unit and the members, partners or shareholders of a practice unit, that, after the date of renewal of a license, fails to continue to comply with the terms of the quality review program, must promptly inform the Board of any non-compliance by the practice unit. Such non-compliance failure to report same promptly to the Board, failure to cooperate with the approved reviewer, the sponsoring organization or the Review Oversight Board, or any other failure to comply with the quality review requirements of 252 CMR 2.15, shall be grounds for license revocation, suspension or other disciplinary action under M.G.L. c. 112, § 87C½ of any practice unit and any member, partner or shareholder thereof failing to comply or failing to report such non-compliance to the Board.

(e) In the event a firm's practice is sold, dissolved or merged with the practice of one or more other Firms, determination of successor or predecessor Firms, Quality Review year-end(s) and other Quality Review due dates, if any, will be made in accordance with the Board-approved Sponsoring Origination's guidance

### **(3) Approved Quality Review Sponsoring Organizations, Programs and Quality Review Standards**

(a) The Board shall approve quality review Sponsoring Organizations, program(s) and standards and may establish a review oversight board to make recommendations to the Board for its approval of such organizations, programs, and quality review standards.

(b) The Board adopts the American Institute of Certified Public Accountants (AICPA) as an approved Sponsoring Organization and its peer review program and other peer review programs administered by entities fully involved in the administration of the AICPA Peer Review Program and are not required to submit an application for approval to the Board. The Board may approve other quality review Sponsoring Organizations and programs.

(c) Any Board approved quality review program and any quality reviewer performing a quality review under this section shall utilize standards for performing and reporting on quality reviews by a recognized national accountancy organization whose standards are generally accepted by other regulatory authorities in the United States and are acceptable to the Board, including, but not limited to, the AICPA *Standards for Performing and Reporting on Peer Reviews*.

(d) The Board may terminate its approval of a Sponsoring Organization for cause following notice and opportunity for hearing. For purposes of this paragraph, "cause" includes but is not limited to failure to maintain an ongoing compliance with the requirements of this chapter.

(e) For a quality review program organization, not specifically identified in regulations as Board-approved, to receive Board approval for its quality review program and standards, the quality review program organization must submit evidence to the satisfaction of the Board that the overall program and standards are at least equivalent to those of the AICPA Peer Review Program. At a minimum, the evidence shall include the standards, procedures, guidelines, oversight process, training materials and related documents used by those administering reviews, performing reviews, having reviews, and those considering reviews for acceptance. The Board has the authority to request any other documents/information from a quality review program organization that it determines is appropriate in deciding whether to grant approval.

(f) For Firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB), the Board approves the PCAOB's inspection process for reviewing practices subject to its authority (which are not included in the scope of quality review programs). Firms receiving inspections under the PCAOB are also required to meet the quality review requirements under a Board-approved quality review program that covers the portion of the firm's practice not subject to the PCAOB inspection process, should it have such a practice.

(4) Conduct of Quality Reviews.

(a) Any Board approved quality review program and any quality reviewer performing a quality review under this section shall utilize standards for performing and reporting on quality reviews by a recognized national accountancy organization whose standards are generally accepted by other regulatory authorities in the United States and are acceptable to the Board, including but not limited to the AICPA *Standards for Performing and Reporting on Peer Reviews*.

(b) For a sponsoring organization to receive Board approval for its quality review program and standards, the sponsoring organization must submit evidence to the satisfaction of the Board that the overall program and standards are at least equivalent to those of the AICPA Peer Review Program. At a minimum, the evidence shall include the standards, procedures, guidelines, oversight process, training materials and related documents used by those administering reviews, performing reviews, having reviews, and those considering reviews for acceptance. The Board has the authority to request any other documents/information from a quality review program organization that it determines is appropriate in deciding whether to grant approval.

(7) Authority and Function of Review Oversight Board.

(a) The Board may appoint up to five individual licensees to a Review Oversight

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Board to monitor programs administered by the report acceptance bodies and report periodically to the Board. Review Oversight Board members shall not be current members of the Board or perform any enforcement related work for regulatory or governmental bodies, professional organizations (including but not limited to an AICPA ethics committee, AICPA Joint Trial Board or state professional ethics committee) or similar groups or subgroups, including consultants and other similar arrangements for the board; and may be removed or replaced by the Board in its discretion.

- (b) Each committee member shall annually sign a confidentiality statement indicating they will not divulge any information to the Board that would identify any firm, licensee, or quality reviewer/reviewing firm.
- (c) The Review Oversight Board shall conduct oversight of approved quality review programs to provide reasonable assurance that such programs are in compliance with the minimum standards for performing and reporting on quality reviews. The committee shall report to the Board any modifications to approved quality review programs and shall make recommendations regarding the continued approval of quality review programs.

Oversight procedures to be performed by the Review Oversight Board may consist of, but are not limited to, the following activities:

- i. Visiting the Sponsoring Organization of the approved quality review program;
  - ii. Reviewing the Sponsoring Organization's procedures for administering the program;
  - iii. Meeting with the Sponsoring Organization's RAB during consideration of quality review documents;
  - iv. Reviewing the Sponsoring Organization's compliance with their programs and oversight quality control compliance.
- (d) The Review Oversight Board shall verify that firms are in compliance through review of the quality review report, the firm's response to the matters discussed in the quality review report, and the acceptance letter outlining any additional corrective or monitoring procedures, and the letter(s) signed by the Sponsoring Organization notifying the firm that required actions have been appropriately completed

(8) Confidentiality of Quality Review Reports.

- (a) All quality review reports and related materials shall remain confidential, as provided in M.G.L. c. 112, § 87E½.

- (b) Notwithstanding the provisions of 252 CMR 2.15(8) and M.G.L. c. 112, § 87E½, the Board shall have the right to inquire of a report acceptance body or the Review Oversight Board as to whether a quality review report has been accepted.

(9) Waiver of Quality Review.

- (a) The Review Oversight Board may grant a waiver of or extension of time to meet the quality review requirement for the following reasons:
  - 1. health;

2. military service; or
3. other good cause, as determined by the Review Oversight Board.

(b) Requests for waivers or extension of time shall be in writing, under oath, and submitted with the renewal form or as soon as practicable after the circumstances arise which are the basis for the request.

(c) Any practice unit which has been granted a waiver or extension of time shall immediately notify the Review Oversight Board when the basis upon which such waiver or extension of time was granted has ceased to exist. When the circumstances upon which such a waiver was granted cease to exist, the Review Oversight Board may require the practice unit to undergo a quality review at such time as the Review Oversight Board deems appropriate. A waiver shall only be effective for the calendar year for which it has been granted.

(d) A practice unit may request the Board to review a decision of the Review Oversight Board regarding a waiver or extension. Such request must be filed with the Board in a timely manner.

(10) Review of Multi-jurisdictional Practice Units. The Review Oversight Board may accept a quality review of a multi-jurisdictional practice unit which is based solely upon work conducted outside of Massachusetts as satisfying the quality review requirement if:

- (a) the quality review was conducted within three years of the renewal application;
- (b) the quality review is performed in accordance with requirements equivalent to those of the Board;
- (c) the quality review studies, evaluates and reports on the financial reporting practice of the practice unit as a whole; and
- (d) At the conclusion of the quality review, the quality reviewer issues a report meeting the requirements of 252 CMR 2.15(4).

#### 2.16: Requirements for Reinstatement of Lapsed/Expired License

- (1) A license which has lapsed for one renewal cycle or less may be reinstated upon:
  - (a) payment of the back license fee, a late fee and the current license fee; and
  - (c) presentation of evidence satisfactory to the Board of having completed all required continuing professional education credits, as provided in 252 CMR 2.14; ~~and~~
  - ~~(e) completion of any other Board requirements.~~
- (2) A license which has lapsed for more than one renewal cycle may be reinstated upon:
  - (a) If practicing in Massachusetts during the period the license was expired:

1. payment of all back license fees, a late fee and the current license fee; and
2. presentation of evidence, satisfactory to the Board, of having completed all required continuing education credits, as provided in 252 CMR 2.14; ~~and~~
- ~~3. completion of any other Board requirements, including re-examination and acknowledgment of practice during the period the license was expired.~~

(b) If not practicing during the period the license was expired:

1. payment of the current license renewal fee and a late fee;
2. presentation of evidence, satisfactory to the Board, of having completed all required continuing professional education credits, as provided in 252 CMR 2.14;
- ~~2. completion of any other Board requirements, including re-examination; and~~
- ~~3.2.~~ submission of an affidavit signed under the pains and penalties of perjury that the individual has not been practicing during the period the license was expired.

(c) If practicing in another state during the period the Massachusetts license was expired:

1. payment of the current license renewal fee and a late fee;
2. submission ~~providing to the Board of an official record of good standing or certified statement from other licensing authority of evidence~~ indicating the license is in good standing in the state of current licensure; and
3. presentation of evidence, satisfactory to the Board, of having completed all required continuing professional education credits, as provided in 252 CMR 2.14.

(3) Notwithstanding the provisions of 252 CMR 2.16, the Board may refer cases of unlicensed practice to appropriate law enforcement authorities for prosecution.

#### 2.17: Conversion of Public Accountant License to Certified Public Accountant License

(1) Pursuant to the M.G.L. c. 112, § 87C(a) and (b), the Board may issue the certificate and license to practice as a Certified Public Accountant (CPA) to an individual licensed as a Public Accountant (PA) by the Board who meets all the following requirements:

- (a) The PA files an application with the Board for the conversion of the PA certificate and license to a CPA certificate and license;
- (b) At the time of application for conversion of the PA certificate and license, the PA holds a current license issued by the Board;
- (c) At the time of application for conversion of the PA certificate and license, any public accounting firm that employs the PA or in which the PA has an interest holds a current license issued by the Board and meets the quality review requirements of M.G.L. c. 112,

§ 87B½ and 252 CMR 2.15; and

(d) For the five year period prior to July 1, 1998 (or for the duration of licensure as a PA by the Board, if less than five years), the PA maintained a current PA license issued by the Board and completed all continuing education hours required pursuant to M.G.L. c. 112, § 87B(e) and 252 CMR 2.14.

(2) Subsequent to the approval of the application for conversion from a PA certificate and license to a CPA certificate and license, the licensee must cease to utilize the designation “PA” in all forms of practice and is limited to utilizing the designation “CPA” in all forms of practice.

REGULATORY AUTHORITY

252 CMR 2.00: M.G.L. c. 112, § 87A½.

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252 CMR 3.00: CODE OF ETHICS AND RULES OF PROFESSIONAL CONDUCT

Section

- 3.01: Independence, Integrity and Objectivity
- 3.02: Competence and Technical Standards
- 3.03: Responsibilities to Clients
- 3.04: Responsibilities to Colleagues
- 3.05: Other Responsibilities and Practices

The Code of Ethics and Rules of Professional Conduct derive their authority from M.G.L. c. 112, § 87A½ subsection (4) which provides that the Massachusetts Board of Public Accountancy may make such rules of professional conduct as may be instrumental in fixing and maintaining high standards of integrity and dignity in the profession of public accounting, and for the enforcement of such rules and other statutory requirements.

3.01: Independence, Integrity and Objectivity

(1) Independence. A certified public accountant or a firm of which the licensee is a partner, shareholder or member shall not express an opinion on financial statements of an enterprise unless the licensee or the licensee's firm are independent with respect to such enterprise. Independence will be considered to be impaired if, for example:

- (a) During the period of the licensee's professional engagement, or at the time of expressing the licensee's opinion, the licensee or the licensee's firm:
  - 1. Had or was committed to acquire any direct or indirect financial interest in the enterprise, or
  - 2. Had any joint closely held business investment with the enterprise or any officer, director, member or principal stockholder, or
  - 3. Had any loan to or from the enterprise or any officer, director, member or principal stockholder thereof. This latter proscription does not apply to the following loans from a financial institution when made under normal lending procedures, terms, and requirements: loans obtained by a member of the licensee's firm which are not material in relation to the net worth of such borrower; home mortgages; other secured loans, except loans guaranteed by member's firm which are otherwise unsecured.
- (b) During the period covered by the financial statements, during the period of the professional engagement or at the time of expressing an opinion the licensee or the licensee's firm:
  - 1. Was connected with the enterprise as a promoter, underwriter or voting trustee, a director or officer or in any capacity equivalent to that of a member of management or of any employee; or
  - 2. Was a trustee of any trust or executor or administrator of any estate, if such trust or estate had a direct or indirect financial interest in the enterprise; or was a trustee for any pension or profit-sharing trust of the enterprise.

(2) Integrity and Objectivity. A certified public accountant shall not knowingly misrepresent facts, and when engaged in the practice of public accounting, including the rendering of tax, management advisory, or other financial services, shall not subordinate his or her judgment to others. In tax practice a certified public accountant may resolve doubt in favor of the licensee's client as long as there is reasonable support for the licensee's position.

### 3.02: Competence and Technical Standards

(1) Competence. A certified public accountant shall not undertake any engagement which the licensee's or the licensee's firm cannot reasonably expect to complete with professional competence.

(2) Auditing Standards. A certified public accountant shall not permit the licensee's name to be associated with financial statements in such a manner as to imply that the licensee is acting as an independent certified public accountant unless the licensee has complied with applicable generally accepted auditing standards.

(3) Accounting Principles. A certified public accountant shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such statements contain any departure from an accounting principle which has a material effect on the statements taken as a whole, unless the licensee can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases the licensee's report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement.

(4) Forecasts. A certified public accountant shall not permit the licensee's name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the certified public accountant vouches for the achievability of the forecast.

### 3.03: Responsibilities to Clients

(1) Confidential Relationship. A certified public accountant shall not disclose any confidential information obtained in the course of a professional engagement, except with the consent of the client. 252 CMR 3.03 shall not be construed to relieve a person of his obligation to comply with a validly issued subpoena or summons enforceable by order of a court, or to respond to proper inquiries made by the Massachusetts Board of Public Accountancy or in the course of quality reviews of said certified public accountant or the licensee's firm.

(2) Contingent Fees.

(a) "Contingent Fee" means a fee established for the performance of any public accounting service for which no fee will be charged unless a specified finding or result is attained, or for which the amount of the fee is otherwise dependent upon the finding or result of the service. A licensee shall not enter into an oral agreement that provides for a

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contingent fee for public accounting services.

(b) A licensee shall not accept or perform any public accounting services for a contingent fee or receive a contingent fee from a client for whom the licensee or the licensee's firm performs:

1. An audit;
2. A review;
3. A compilation of a financial statement when the licensee expects or reasonably might expect that a third party will use the financial statement and the licensee's report does not disclose a lack of independence; or
4. An examination of prospective financial information.

(c) The prohibition of 252 CMR 3.03(2)(b) applies during the period of time in which the licensee is engaged to perform those services and the period covered by any historical financial statements involved in those services.

(d) A licensee in public practice shall not prepare for a contingent fee:

1. An original or amended tax return or claim for a tax refund. Preparation of an original or amended tax return or claim for tax refund includes giving advice on events which have occurred at the time the advice is given if such advice is directly relevant to determining the existence, character, or amount of a schedule, entry, or other portion of a return or claim for refund; or
2. An amended federal or state income tax return for a client claiming a refund of taxes because a deduction was inadvertently omitted from the return originally filed when there is no question as to the propriety of the deduction, rather the claim is filed to correct an omission.

(e) The following are examples of circumstances where a contingent fee would be permitted regardless of whether the licensee or licensee's firm is performing the services specified in 252 CMR 3.03(2)(b):

1. Representing a client in an examination by a revenue agent of the client's federal or state income tax return;
2. Filing an amended federal or state income tax return claiming a tax refund based on a tax issue that is either the subject of a test case by a different taxpayer or with respect to which the taxing authority is developing a position;
3. Filing an amended federal or state income tax return or refund claim which claims a tax refund in an amount greater than the threshold for review by the Joint Committee on Internal Revenue Taxation (\$1,000,000 at March, 1991) or state taxing authority;
4. Requesting a refund of either overpayments of interest or penalties charged to a client's account or deposits of taxes improperly accounted for by the federal or state taxing authority in circumstances where the taxing authority has established procedures for the substantive review of such refund requests;
5. Requesting, by means of protest or similar document, consideration by the state or local taxing authority of a reduction in the assessed value of property under an established taxing authority review process for hearing all taxpayer arguments relating to assessed value; or
6. Representing a client to obtain a private letter ruling or influencing the drafting of a regulation or statute.

- (f) Fees shall not be considered as contingent:
    - 1. If fixed by courts or other public authorities; or
    - 2. In tax matters if determined based on the results of judicial proceedings or the findings of governmental agencies. A fee is considered determined based on the findings of governmental agencies, if the licensee can demonstrate a reasonable expectation at the time of the fee arrangement, of substantive consideration by an agency with respect to the licensee's client. The expectation is deemed not reasonable in the case of preparation of original tax returns.
  - (g) Fees may vary depending on the complexity of services rendered.
- (3) Records. In accordance with M.G.L. c. 112, § 87E, a certified public accountant shall furnish to the licensee's client or former client, upon request made within a reasonable time after original issuance of the document in question, if not previously furnished:
- (a) A copy of a tax return of the client;
  - (b) A copy of any report or other document issued by the certified public accountant or public accountant to or for such client;
  - (c) Any accounting or other records belonging to, or obtained from or on behalf of, the client which the certified public accountant removed from the client's premises or received for the client's account, but the certified public accountant may make and retain copies of such documents of the client when they form the basis for work done by the licensee; and
  - (d) A copy of the certified public accountant's working papers, to the extent that such working papers include records that would ordinarily constitute part of the client's books and records and are not otherwise available to the client.

#### 3.04: Responsibilities to Colleagues

- (1) Combined and/or Consolidated Statements. Where a certified public accountant is required to express an opinion on combined or consolidated financial statements which include a subsidiary, branch or other component audited by another certified public accountant, the licensee may insist on auditing any such component which in the licensee's judgment is necessary to warrant the expression of the licensee's opinion.
- (2) Referral Engagements. A certified public accountant who receives an engagement for services by referral from another certified public accountant shall not accept the client's request to extend the licensee's service beyond the specific engagement without first notifying the referring accountant.

#### 3.05: Other Responsibilities and Practices

- (1) Discreditable Conduct. A certified public accountant shall not commit any act discreditable to the profession.
  - (2) Solicitation and Advertising.
    - (a) Advertising. Certified Public Accountants may provide information to the public by advertising. Such advertising shall not:
      - 1. be false, deceptive or misleading;
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2. create false or unjustified expectations of favorable results;
3. imply the ability to influence improperly any court tribunal or regulatory agency;
4. fail to disclose all variables and other relevant factors for soliciting professional engagements;
5. violate M.G.L. c. 93A; or

(b) Solicitation. Certified Public Accountants may solicit professional engagements by direct communications. Such communications shall not:

1. be false, deceptive or misleading;
2. create false or unjustified expectations of favorable results;
3. imply the ability to influence improperly any court tribunal or regulatory agency;
4. fail to disclose all variables and other relevant factors for soliciting professional engagements;
5. violate M.G.L. c. 93A; or
6. be coercive, intimidating, threatening or overreaching.

(3) Commissions.

(a) "Commission" means any item of value given or received by a licensee to or from any third party in return for suggesting the purchase of any product or service.

(b) A licensee shall not recommend or refer to a client any product or service in exchange for a commission, recommend any product or service to be supplied by the licensee's client to a third party, or receive a commission when the licensee or the licensee's firm also performs for that client:

1. An audit or review of a financial statement;
2. A compilation of a financial statement when the licensee expects or reasonably might expect that a third party will use the financial statement and the licensee's report does not disclose a lack of independence; or
3. An examination of prospective financial information.

(c) The prohibition of 252 CMR 3.05(3)(b) applies during the period in which the licensee is engaged to perform any of the services listed in 252 CMR 3.05(3)(b)1., 2. and 3. and the period covered by any historical financial statements involved in the listed services.

(d) A licensee who is not prohibited from receiving a commission and who is paid or expects to be paid a commission shall disclose that fact, in writing, to any person or entity to whom the licensee recommends or refers a product or service to which the commission relates.

(e) A licensee who accepts a fee for recommending or referring any service of another licensee to any person or entity or who pays a fee to obtain a client shall disclose, in writing, the receipt or payment of the fee to the client.

(f) This rule shall not prohibit:

1. Payments for the purchase of an accounting practice; or
2. Retirement payments to individuals, and their heirs or estates, who were formerly engaged in the practice of public accounting.

(4) Incompatible Occupations. A certified public accountant who is engaged in the practice of public accounting shall not concurrently engage in any business or occupation which impairs his independence or objectivity in rendering professional services.

(5) Form of Practice and Name.

(a) Form of Practice. A certified public accountant may practice public accountancy only in a proprietorship, partnership, professional corporation, business corporation, limited liability partnership, or limited liability company, organized in accordance with M.G.L. c. 156A, c. 156B or c. 108A.

(b) Firm Names. A certified public accountant shall not practice public accountancy using a professional or firm name which is misleading as to the legal form of the firm or as to the persons who are partners, officers, shareholders or members of the firm, or as to any matter with respect to which public communications are restricted by 252 CMR 3.05(2)(a). A firm name is misleading, and thus prohibited if, among other things:

1. The firm name implies the existence of a corporation when the firm is not a corporation (as by use of the abbreviation "P.C.");
2. The firm name implies existence of a partnership when the firm is not a partnership;
3. The firm name implies the existence of a limited liability partnership or a limited liability company when the firm is not a limited liability partnership or a limited liability company as duly and validly registered in the Commonwealth of Massachusetts;
4. The firm name includes the name of a person who is neither a present nor a past partner, shareholder, or member of the firm; or
5. The firm name includes the designation "and Associates," "and Assoc.," "and Company," or "& Co." when there are not in fact at least two owners, or a sole proprietor or single owner CPA firm with at least one licensed full-time employee. Sole proprietors or single owner CPA firms must notify the Board, in writing, identifying the name of the licensed full-time employee for approval of a firm name designating other than the licensee's name.

(c) Fictitious Firm Names. A fictitious firm name is any firm name that does not consist of solely the last names (except that an individual's first name may be used with the individual's last name) of the living or deceased natural persons who constitute or constituted of one or more present or former owners of the firm together with any designation of the type of legal entity in which the firm is organized. A firm may not use a fictitious firm name unless:

1. such firm name consists solely of the initials of the last names of living or deceased natural persons who constitute or constituted one or more present or former owners of the firm, or a combination of such initials and the last names of living or deceased natural persons who constitute or constituted one or more present or former owners of the firm, together with any designation of the type of legal entity in which the firm is organized; and
2. such firm name has been registered with and approved by the Board as not being false or misleading, and as not reflecting discredit upon the accounting profession.

252 CMR 3.00: M.G.L. c. 13, §§ 33 and 34; c. 112, §§ 87A through E and 61.

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252 CMR

## 252 CMR 4.00: LIMITED LIABILITY PARTNERSHIPS AND LIMITED LIABILITY COMPLANIES

4.01: Definitions

4.02: Required Insurance and Capital Program

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252 CMR: BOARD OF REGISTRATION IN PUBLIC ACCOUNTANCY  
**DEVELOPING PUBLIC POLICY, NOT A PUBLIC RECORD**

**252 CMR 4.01: Definitions**

As used in 252 CMR 4.00, unless the context otherwise requires:

Board, Licensee and Practice of Public Accountancy are defined in [M.G.L. c. 112, § 87A](#).

Business Corporation refers to a corporation, as defined in [M.G.L. c. 156B, § 2](#), licensed by the Board.

LLC refers to any “limited liability company” and “domestic limited liability company”, as defined in [M.G.L. c. 156C, § 2\(b\)\(5\)](#) and [M.G.L. c. 112, § 87B1/2\(b\)](#), licensed by the Board.

LLP refers to any “registered limited liability partnership” or “foreign registered limited liability partnership,” as defined in [M.G.L. c. 108A, § 45\(8\)](#), licensed by the Board.

Manager and Member are defined in [M.G.L. c. 156C, § 2\(b\)\(7\)](#) and [\(8\)](#), respectively.

Managing Partner or Agent refers to the person responsible for the proper registration of the firm with the board.

Supervision refers to the supervision of attest and compilation services provided by the office of the firm within the Commonwealth.

**252 CMR 4.02: Required Insurance and Capital Program**

(1) An LLP, Business Corporation, or LLC must maintain in good standing professional liability insurance which meets the following minimum standards:

(a) The insurance shall cover negligence, wrongful acts, errors and omissions and insure the LLP and the individual licensees who are partners or employees of the LLP, the LLC and the individual licensees who are members, managers or employees of the LLC, or the Business Corporation and the individual licensees who are employees, shareholders, officers or directors of the Business Corporation;

(b) The insurance shall be in an amount for each claim of at least \$100,000 multiplied by the number of individuals who are employed by, or partners of, the LLP; or the number of individuals who are employed by, or shareholders, officers or directors of, the Business Corporation, or the number of individuals who are employed by, or members or managers of, the LLC; and in an aggregate amount of at least \$300,000 multiplied by the number of individual licensees who are employed by, or partners of, the LLP; or the number of individuals who are employed by, or shareholders, officers or directors of, the Business Corporation; or the number of individuals, who are employed by, or managers or members of, the LLC;

252 CMR: BOARD OF REGISTRATION IN PUBLIC ACCOUNTANCY  
**DEVELOPING PUBLIC POLICY, NOT A PUBLIC RECORD**

(c) The requirements of 252 CMR 4.02 shall be satisfied if the LLP, Business Corporation, or LLC maintains insurance sufficient to provide coverage at a level of at least \$600,000 for each claim with an aggregate top limit of liability for all claims, during any one year, of at least \$2,000,000; and

(d) The insurance required by 252 CMR 4.02 may provide that it does not apply to: Any dishonest, fraudulent, criminal, or malicious act or omission of the insured LLP, Business Corporation, or LLC, or any individual licensee who is a partner, manager, member, shareholder, officer, director or employee thereof; or the conduct of any business enterprise not involving the practice of public accountancy in which the insured LLP, Business Corporation or LLC may hold an ownership interest or in which the insured LLP, or Business Corporation or LLC may be a partner or which may be controlled, operated, or managed by the insured LLP, Business Corporation or LLC, in its own or in a fiduciary capacity including the ownership, maintenance, or use of any property in connection therewith; and bodily injury to, or sickness, disease, or death of, any person, or to injury to or destruction of any tangible property, including the loss of use thereof. The policy may contain reasonable provisions with respect to policy periods, territory, claims, conditions, and other usual matters.

(2) Designated Segregated Capital Option for LLPs.

(a) The insurance required by 252 CMR 4.02(1) is not required if the LLP maintains designated and segregated capital equal to the amount of insurance required in 252 CMR 4.02(1)(b) or (c).

(b) An LLP shall be considered to be in compliance with 252 CMR 4.02(2)(a) if the LLP provides an amount of funds equal to the amount of insurance required in 252 CMR 4.02(1)(b) or (c), which funds must be specifically designated and segregated for the satisfaction of judgments against the LLP or its partners based on negligence, wrongful acts, errors and omissions, by:

1. deposit in trust or in bank escrow of cash, bank certificates of deposit, or United States Treasury obligations; or
2. a bank letter of credit or insurance company bond.

(3) (a) An LLP, Business Corporation or LLC must notify the Board in writing, within five business days, if its insurance coverage is canceled or otherwise interrupted, or if the LLP's designated and segregated capital falls below the amount required in 252 CMR 4.02(2)(a). Failure to provide required notice to the Board will subject the LLP and its partners, or the LLC and its managers or members, or the Business Corporation and its shareholders, officers or directors who are licensed by the Board to disciplinary action, pursuant to [M.G.L. c. 112, § 87C1/2](#).

(b) At any time the LLP is not in compliance with 252 CMR 4.02, the LLP shall practice accountancy in

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the Commonwealth only as a general partnership until such time as the LLP is in compliance with 252 CMR 4.02. The LLP shall notify the Board, in writing, within five business days, that the LLP is in compliance with 252 CMR 4.02.

(c) In the event of cancellation or any other interruption in required insurance coverage for more than five business days, an LLC or Business Corporation may not practice public accountancy in the Commonwealth until such time as the LLC or Business Corporation is in compliance with 252 CMR 4.02.

(4) An LLP, Business Corporation or LLC may be required to provide verification of compliance with 252 CMR 4.02, satisfactory to the Board, on initial application, renewal, and at any other time, at the request of the Board.

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