

## **Rule 6 PRACTICE UNDER SUBSTANTIAL EQUIVALENCY**

### **6.1 INDIVIDUALS AND FIRMS PRACTICING UNDER SUBSTANTIAL EQUIVALENCY**

#### (a) Individuals practicing under substantial equivalency

- (1) Pursuant to A.C.A. § 17-12-311, a CPA who holds a current valid license from a state other than Arkansas whose principal place of business is not in this state may perform certain professional services in this state without registering with the Board.
- (2) To qualify for practice under substantial equivalency, the NASBA National Qualification Appraisal Service must have determined that:
  - a. The education, examination and experience requirements of the state in which the individual holds a valid license are comparable to or exceed the education, examination and experience requirements contained in the UAA; or
  - b. The CPA holds a valid license issued by a state whose education, examination and experience requirements are not comparable to those contained in the UAA, but the individual CPA's education, examination and experience requirements are comparable to or exceed the education, examination and experience requirements contained in the UAA. If requested by the board, the individual and the firm for which the individual CPA is performing services in this state shall provide a copy of the NASBA National Qualification Appraisal Service verification letter.
- (3) An individual who qualifies for practice privileges under substantial equivalency may offer or render professional services in person, by mail, by telephone, or by electronic means without notifying the Board, registering with the Board, or paying a fee.
- (4) An individual who qualifies for practice privileges under substantial equivalency may perform the following services for a client with its home office in this state only through a firm that has registered under A.C.A. §17-12-401:
  - a. A financial statement audit or other engagement to be performed in accordance with the "*Statements of Auditing Standards*";
  - b. An examination of prospective financial information to be performed in accordance with "*Statements on Standards for Attestation Engagements*"; or
  - c. An engagement to be performed in accordance with PCAOB Standards.
- (5) An individual licensee who performs professional services under substantial equivalency and the firm which employs that individual licensee consent and agree, as a condition of rule the exercise of this privilege to:
  - a. The personal and subject matter jurisdiction and disciplinary authority of the Board,
  - b. Comply with the Arkansas Accountancy Act and Rules of the Board, and

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- c. Cease offering or rendering professional services in this state individually and on behalf of a firm if the license from the state of the individual's principal place of business is no longer valid, and
    - d. The appointment of the board issuing the individual's license and the firm's license as the individual's agent upon whom process may be served in an action or proceeding of the Arkansas State Board of Public Accountancy against the licensee.
  - (6) An individual who passed the Uniform CPA Examination and holds a valid license issued by any other state prior to January 1, 2012 may be exempt from this state's education requirements in A.C.A. §17-12-302 for purposes of determining substantial equivalency under Rule 6.
  - (7) An individual who held an Arkansas CPA certificate or license at one time whose Arkansas CPA certificate or license has been revoked or surrendered in connection with a disciplinary investigation or proceeding is prohibited from practicing public accounting or using the title "CPA" in this state whether or not such an individual may otherwise qualify for practice privileges under Rule 6.1.
  - (8) If a CPA does not qualify under the substantial equivalency standards in A.C.A. § 17-12-311, the Board may issue a reciprocal certificate or license to the holder of a certificate, license or other authority by another state provided that the CPA qualifies pursuant to A.C.A. § 17-12-308.
- (b) Firms practicing under substantial equivalency
  - (1) A firm that does not have an office in this state may perform professional services other than those listed in Rule 6.1(a)(4), for a client having its home office in this state, without notifying the Board, registering with the Board, or paying a fee, provided that:
    - a. The firm meets the applicable requirements of A.C.A §17-12-401 and Rule 14.3(e);
    - b. The firm performs the services through an individual who is registered with the Board or through an individual who is practicing under the provisions of substantial equivalency defined in Rule 6.1 (a); and
    - c. The firm can lawfully perform the services in the state where the individual with practice privileges has his or her principal place of business.
  - (2) A firm may not perform certain services under substantial equivalency. The following services for a client with its home office in this state may only be performed through a firm that is registered in this state:
    - a. A financial statement audit or other engagement to be performed in accordance with the *Statements of Auditing Standards*,
    - b. An examination of prospective financial information to be performed in accordance with *Statements on Standards for Attestation Engagements*, and
    - c. An engagement to be performed in accordance with PCAOB Standards.
  - (3) A firm that is exercising the privilege to practice under substantial equivalency as defined above and the responsible individuals employed by the firm consent and agree to:
    - a. Personal and subject matter jurisdiction and disciplinary authority of

- the Board,
- b. Comply with the Arkansas Accountancy Act and Rules of the Board, and
  - c. Cease offering or rendering services in this state individually and on behalf of a firm if the license from the state of the individual's principal place of business is no longer valid, and
  - d. The appointment of the board issuing the individual's license and the firm's license as the individual's agent upon whom process may be served in an action or proceeding of the Arkansas State Board of Public Accountancy against the licensee.

## **6.2 DISCLOSURE OF STATE OF LICENSURE BY INDIVIDUALS OR FIRMS WITH PRACTICE PRIVILEGES**

- (a) Individuals or firms practicing public accounting in Arkansas or practicing public accounting for a client with its home office in Arkansas while exercising a practice privilege shall not make any representation tending to falsely indicate that the individual or firm is licensed under A.C.A. §§ 17-12-301, 17-12-308 or 17-12-401. Such individuals or firms may truthfully identify themselves as licensed in any jurisdiction in which they hold a valid, active, unexpired license to practice as certified public accountants. For example, a practitioner could not use the term "Arkansas CPA" or otherwise state or infer licensure in Arkansas, but if true the individual or firm could use titles such as "CPA or firm licensed in Texas" or "Oklahoma CPA". Such individuals or firms could also use cards, stationery or similar materials with the title "CPA" as long as the materials reflect the individual's or firm's principal place of business outside of Arkansas. Such individuals could also truthfully state that they are CPAs practicing under a practice privilege.
- (b) Firms and individuals practicing public accounting in Arkansas shall provide, upon a client's or prospective client's request, accurate information on the state or states of licensure, principal place of business, contact information, and manner in which licensure status can be verified.

## **6.3 INDIVIDUALS INELIGIBLE FOR PRACTICE PRIVILEGES**

- (a) Unless prior approval is obtained from the Board, the practice privileges described in Rule 6.1 shall not be applicable if:
  - (1) The individual has been convicted of a felony under the laws of any jurisdiction.
  - (2) The individual has been convicted of any crime under the laws of any jurisdiction if an element of the crime involves dishonesty or fraud, such as forgery, embezzlement, obtaining money under false pretenses, theft, extortion, conspiracy to defraud, or similar offenses.
  - (3) The individual's license to practice public accounting has been suspended, revoked, or otherwise disciplined by a licensing authority in this or another state, territory, or country, for any cause other than failure to pay appropriate fees. "Disciplined" shall include the voluntary surrender of a license to resolve a pending disciplinary investigation or proceeding in Arkansas or other jurisdiction.
  - (4) The individual's right to practice public accounting before any state or federal agency or before the PCAOB has been suspended or revoked.
  - (5) The individual has applied for licensure as a certified public accountant in Arkansas or other jurisdiction and that application has been denied.

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- (6) The individual's authority to exercise practice privileges has been revoked in Arkansas or another jurisdiction.
- (b) The Board will determine upon request whether the criminal or disciplinary history or other regulatory action provides grounds for denial of practice privileges under substantial equivalency.
- (c) Individuals precluded from exercising practice privileges under this rule may apply for licensure in Arkansas if otherwise qualified. The Board will determine when an application is submitted whether the criminal or disciplinary history or other regulatory action provides grounds for denial of licensure.