

COMMON QUESTIONS ABOUT PERMITS TO PRACTICE FOR CPA FIRMS AND LPA FIRMS

2017

A. Does my firm need an Iowa permit to practice as a CPA firm?

The answer depends on the type of services your firm performs, whether the firm has an office in Iowa, and how the firm markets itself to the public.

Attest services

If your firm performs attest services in Iowa or for a client's Iowa location, the firm does not need an Iowa CPA firm permit to practice if the firm does not have an Iowa office, but it does need an active CPA firm permit to practice in the state of the firm's primary business. Only CPAs may perform attest services and attest services may only be performed in a CPA firm.

Non-attest services

If your firm offers no attest services in Iowa or for a client's Iowa location, your firm will only need an Iowa CPA firm permit to practice if both of the following are true:

1. your firm has an office located in Iowa, and
2. the Iowa office of your firm uses the titles "CPAs", "certified public accountants", "CPA firm", or "certified public accounting firm" in the name of the firm or in the marketing of the firm to the public.

Sole proprietors

A sole proprietor CPA who performs no attest services may use the singular title of "CPA" or "certified public accountant" in the name of the firm or when marketing to clients without holding a CPA firm permit to practice. Many years ago a firm permit to practice was required for compilation services. That law changed in 2002. Peer review is required for compilation services, but peer review for compilation services may be performed on an individual basis or as part of the peer review for a CPA firm or an LPA

firm. Only peer review for attest services must be performed at a firm level.

Voluntary CPA firm permits to practice

A firm may voluntarily hold a CPA firm permit to practice even if not technically required to do so as long as a simple majority of the ownership of the firm belongs to CPAs and the other requirements of Iowa Code section 542.7 are satisfied. Holding a voluntary CPA firm permit to practice is a matter of personal choice.

B. Does Iowa allow CPA firm mobility?

Iowa law does allow CPA firm mobility for out of state firms that do not maintain offices in Iowa. And as of 2017, out of state firms may perform any attest services (as opposed to only reviews as was permitted prior to 2017) in Iowa or for a client's Iowa location.

C. Does my firm need an Iowa permit to practice as an LPA firm?

Iowa LPAs are only required to hold an LPA firm permit to practice if they practice in a firm which uses the title "LPAs", "licensed public accountants", "LPA firm" or "licensed public accounting firm" in the name of the firm or when marketing to clients. A sole proprietor LPA may use the singular title of "LPA" or "licensed public accountant" in the name of the firm or when marketing to clients without holding an LPA firm permit to practice. LPAs who perform compilation services may complete peer review on an individual basis or as part of the peer review completed for an LPA firm or a CPA firm.

A firm may voluntarily hold an LPA firm permit to practice even if not technically required to do so as long as a simple majority of the ownership of the firm belongs to some combination of LPAs and CPAs, at least one partner, officer, shareholder, member, or manager is an LPA, and the other requirements of Iowa Code section 542.8 are satisfied. Holding a voluntary LPA firm permit to practice is a matter of personal choice.

D. I work for a company that is not a CPA firm or an LPA firm. Can I provide compilation services?

Yes, a CPA or LPA can provide compilation services for an employer or for the general public from any type of entity. Only CPAs and LPAs can provide compilation services, but they do not need to do so through a CPA firm or LPA firm holding a firm permit to practice.

If a compilation report is signed by an individual CPA or LPA through an entity that does not hold a CPA firm or LPA firm permit to practice, all of the provisions of Iowa Code section 542.13 apply, as follows:

An individual licensee shall not issue a report in standard form upon a compilation of financial information through any form of business that does not hold a permit issued under section 542.7 or 542.8 unless the report discloses the name of the business through which the individual is issuing the report and the individual licensee does all of the following:

- a. Signs the compilation report identifying the individual as a certified public accountant or licensed public accountant.
- b. Meets competency requirements provided in applicable standards.
- c. Undergoes, no less frequently than once every three years, a peer review conducted in a manner as specified by the board. The review shall include verification that such individual has met the competency requirements set out in professional standards for such services.

E. I am a CPA offering tax and consulting services to the public in a company called “Dawson Accounting Services.” One of my employees just passed the CPA exam and will be certified soon. Do I need a CPA firm permit to practice?

No. While any eligible firm can apply for a CPA firm permit to practice whether required to do so or not, there are only limited circumstances where such a firm permit is required. The firm would only need a firm permit to practice if it held out to the public as a CPA firm from an Iowa office. If, for instance, you change the firm name to

“Dawson CPA firm” or “Dawson and Lampe, CPAs” or otherwise present the firm as a CPA firm, you would need a firm permit to practice. See, Iowa Code sections 542.7(1) and 542.13(4).

F. I am the managing partner for a CPA firm located in Omaha which holds a Nebraska CPA firm permit to practice. We want to offer our services to Iowa clients. We perform attest services. Does my firm need an Iowa CPA firm permit to practice?

No. An out of state CPA firm that holds a permit to practice in its principal place of business does not need an Iowa CPA firm permit to practice in order to provide services to Iowa clients, unless it opens an Iowa office which uses the title “CPAs”, “CPA firm”, “certified public accountants”, or “certified public accounting firm”. As of 2017, an out-of-state firm may provide any attest services while exercising a practice privilege. Prior to 2017, an out-of-state firm could not perform attest services, with the exception of review services. Please consult Iowa Code section 542.20 and 193A Iowa Admin. Code chapters 21 and 21 (Board rules) to learn more about how practice privileges work in Iowa for individuals and CPA firms.

G. My CPA firm has a permit to practice in Utah. We want to bid on government audits in Iowa. Will we need an Iowa CPA firm permit to practice?

Yes. CPA firms providing attest services to government entities in Iowa that are within the jurisdiction of the Iowa Auditor of State under Iowa Code chapter 11 are required to hold an Iowa CPA firm permit to practice.

H. My Utah based CPA firm has an Iowa permit to practice as a CPA firm and will be performing nongovernmental audits in Iowa. We will not be opening an Iowa office. Will the CPAs placed in charge of these services need to hold Iowa CPA certificates?

No. Nongovernmental audits can be supervised by CPAs who hold CPA certificates which authorize them to supervise audits in their principal place of business. Please consult Iowa Code section 542.20 for more information about how practice privileges work in Iowa for both CPA firms and CPAs.

I. My Iowa based firm is owned by LPAs and CPAs but does not refer to LPAs or CPAs in the firm name and does not otherwise market itself to the public as an LPA firm or a CPA firm. The firm provides tax and compilation services, but no attest services. Does the firm need a firm permit to practice?

No. Many entities that provide accounting services to the public are owned by or employ LPAs or CPAs. The composition of firm owners or employees is not what triggers the need for an LPA firm or CPA firm permit to practice. An Iowa firm of Iowa LPAs is only required to hold an LPA firm permit to practice if the firm uses the title “LPAs”, “licensed public accountants”, “LPA firm” or “licensed public accounting firm” in the name of the firm or when marketing to clients. An Iowa firm of Iowa CPAs is only required to hold a CPA firm permit to practice if the firm uses the title “CPAs”, “CPA firm”, “certified public accountants”, or “certified public accounting firm” in the name of the firm or when marketing to clients.

J. My Minnesota CPA firm plans to open an office in Iowa as a CPA firm. \ We do not have any Iowa CPAs. Do we need one?

Yes. Any CPA authorized to exercise a practice privilege can perform services from the Iowa office, but an Iowa CPA is needed to be in charge of the Iowa office. If a CPA changes location so that Iowa becomes the CPA’s principal place of business, the CPA will need to hold an Iowa CPA certificate. Iowa has a swift and easy process for substantially equivalent out of state CPAs to become certified in Iowa. In fact, if there are no criminal convictions or disciplinary actions to report and the Board can verify

good standing in the other jurisdiction, a fully completed application will be effective the moment it is received by the Board with proper fee. See, 193A Iowa Admin. Code chapter 9.

K. My CPA firm permit to practice lapsed. Can I reinstate the permit to practice?

Yes, a CPA firm permit to practice may be reinstated by using forms available on the Board's website. There is a \$100 reinstatement fee in addition to the annual fee for the permit to practice. If the firm did not perform any services in Iowa that required an Iowa CPA firm permit to practice, there are no other fees. If, however, your firm did need a CPA firm permit to practice while the permit was lapsed, there is an additional administrative fee of \$25 per month to a maximum of \$1,000. Depending on the facts, there may also be grounds for disciplinary action. The Board will not hold up the reinstatement while determining if disciplinary charges are warranted.