

**CHAPTER 3-01-03
ETHICS, FIRM OWNERSHIP, AND FIRM REVIEW**

Section	
3-01-03-01	Code of Ethics
3-01-03-02	Firm Ownership
3-01-03-03	Firm Review

3-01-03-01. Code of ethics. Licensees must observe the code of professional conduct of the American institute of certified public accountants, with references to "member" being understood to apply to licensees. Licensees must also observe the codes of conduct of the general accounting office, the securities and exchange administration, and any other bodies, whenever they are relevant and applicable based on services performed by the licensee.

History: Effective July 1, 2008.

General Authority: NDCC 43-02.2-04

Law Implemented: NDCC 43-02.2-03

3-01-03-02. Firm ownership. A minority of the ownership of a firm practicing public accountancy within this state may be held by individuals who are not certified public accountants or licensed public accountants, but each such owner:

1. Must be an individual;
2. Must not serve as the principal executive officer of the firm;
3. Must not exercise authority over the performance of audit, review, compilation, or other attest services; and
4. Must not aid in the unauthorized practice of public accounting, or knowingly misrepresent facts, or commit any act discreditable to the accounting profession.

When any such owner fails to meet one of these conditions, or is convicted of a felony or other crime involving fraud or dishonesty, or is disciplined by a regulatory agency, that person's ownership in the firm must be fully divested within six months thereafter, unless the board shall determine otherwise.

History: Effective July 1, 2008.

General Authority: NDCC 43-02.2-04

Law Implemented: NDCC 43-02.2-03

3-01-03-03. Firm review. When directed by the board, a firm which performs audit, review, or compilation services is required to undergo a practice review conforming to the standards of the AICPA peer review program, or a program deemed comparable by the board. The board will not require such review more frequently than every three years, except in the case of quality concerns

or the lack of timely review progress. A copy of the review report and letter of acceptance, plus any letters of comment and response issued, are to be submitted to the board when directed. When the review process reveals substantive quality concerns, the board may take various actions against the firm, such as requiring specific continuing education, preissuance report review, accelerated practice review, practice restrictions, and other measures.

History: Effective July 1, 2008.

General Authority: NDCC 43-02.2-04

Law Implemented: NDCC 43-02.2-03