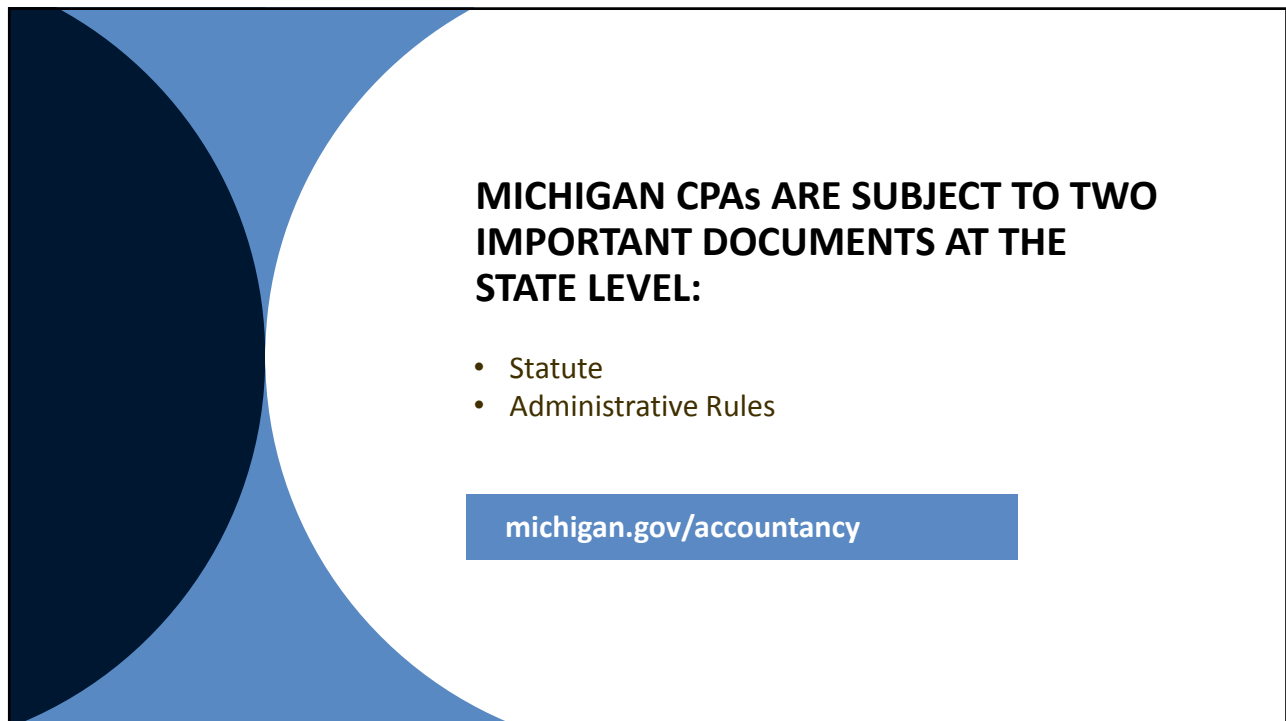




1



2

## AICPA CODE OF PROFESSIONAL CONDUCT FOR MICHIGAN CPAs

- Michigan references the AICPA Code of Conduct through administrative rules
  - All licensed/registered CPAs must adhere to the Code
  - Code was reorganized to include sections for public practice v. members in business v. other members
  - Topics such as independence, integrity and objectivity, etc.




[aicpa.org/newcode](http://aicpa.org/newcode)  
[micpa.org/miethicsinfo](http://micpa.org/miethicsinfo)

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MEET THE PLAYERS IN THE MICHIGAN CPA LICENSE		
 <b>THE REGULATOR</b> The Department of Licensing and Regulatory Affairs (LARA)	 <b>THE ADVISOR</b> The State Board of Accountancy	 <b>THE ADVOCATE</b> The Michigan Association of CPAs
The Bureau of Professional Licensing (BPL) is a branch of LARA and has authority over professional licensing including issuance of licenses and assessment of penalties.	A 9-person appointed body that provides guidance and advice to LARA on the promulgation of administrative rules and penalties.	A nonprofit voluntary membership organization which acts as a resource for CPAs, our job is to keep you informed and advocate for the profession.
<a href="http://michigan.gov/lara">michigan.gov/lara</a>	<a href="http://michigan.gov/whitmer">michigan.gov/whitmer</a>	<a href="http://micpa.org">micpa.org</a>

4



## CONTINUING PROFESSIONAL EDUCATION (CPE)





8  
+  
2  
+  
30

- **Accounting & Auditing (A&A)** = 8 per year/16 per licensing cycle
- **Ethics (ET)** = 2 per year/4 per licensing cycle, 1 Michigan Specific and 3 additional Ethics
- **Other (OT)** = 30 per year/60 per licensing cycle

- Note: Carryover of 40 hours is allowed in Michigan

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## TYPES OF CPE

- 
**Group live**  
 50 min (1hr), then 25 min (.5hr) or 10 min (.2hr)
- 
**Self-study**  
 25 min (.5hr), then 10 min (.2hr)  
 Nano-CPE (.2 hr)
- 
**Ethics fields of study**  
 Behavioral ethics  
 Technical ethics
- 
**Academic Courses**

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## SELF – STUDY VS. GROUP LIVE

What's the difference?

- Immediate online access to individual courses
- Instructors not present for questions
- Quiz required to complete courses

Only 50% of your CPE each earning period can be earned via self-study

- In-person and online options
- Instructor available for questions
- Attend at a scheduled time
- Attendance monitored

Live courses, online or in-person



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## CPE EARNING - REPORTING

- Earning period is 7/1 to 6/30 of each year
- Reporting period is 7/1 to 7/31 of every other year
  - You must report your CPE & renew your license by 7/31
  - CPA licenses expire 7/31
  - Reporting year is based on initial license date
  - License renewal is the responsibility of the individual CPA

Note: You may be subject to other sets of CPE rules



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## LICENSE EXPIRATION DATE

- As of 4/4/2020, LARA issues licenses with an expiration date based on initial license date
- 2-year license cycle remains
- Licenses will be issued with both odd and even year expiration dates based on the year license is issued
- All CPAs are still required to earn 40 hours of CPE every earning period (7/1 – 6/30)



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## CASE STUDY #1

Bob obtained his CPA license in 1995 and worked for a public accounting firm. He left public accounting and let his license lapse. In 2020, he decided to put his license back into active status. He earned the required CPE and submitted his application to the state. In May of 2020 he received his new CPA license.

Is Bob's license on the even or odd license expiration cycle?

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## CASE STUDY #1 (CONTINUED)

- License expiration dates:
  - If your license is issued between 4/4/2020 and 12/31/2020, your license expiration date is 7/31/2022
  - If your license is issued between 1/1/2021 and 12/31/2021, your license expiration date is 7/31/2023
  - If your license is issued between 1/1/2022 and 12/31/2022, your license expiration date is 7/31/2024
- Your expiration date is listed on your license and can also be found on the state's website or on the homepage of your MICPA CPE Tracker

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## LICENSE RENEWAL



- The MICPA CPE Tracker is a tool that you can use to renew your CPA license, but you always need to renew your license on the state's website
- After receiving a 'Tracker Number', you must go to the state's website where you can either enter the Tracker number or input your CPE manually and submit the payment to renew your license
- You do not need to use the Tracker to renew your CPA license

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## CASE STUDY #2

Sally uses the MICPA CPE Tracker. She inputs all of her CPE and certificates of completion into the Tracker and clicks "submit to LARA". She receives a confirmation and Tracker number.

Has Sally renewed her license?

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## CPE PENALTIES UPON AUDIT

Deficient Hours	\$ Per CE Hour	Minimum	Maximum	Proof of CE
1 - 10	\$50	\$50	\$500	1 for 1
11 - 20	\$75	\$825	\$1,500	1 for 1
21 - 30	\$100	\$2,000	\$3,000	2 for 1
31 - 40	\$125	\$3,875	\$5,000	2 for 1
41 - 80	To the board member for recommendation	To the board member for recommendation	To the board member for recommendation	To the board member for recommendation

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## LICENSE CITATION

The screenshot shows the Michigan Department of Licensing and Regulatory Affairs (LARA) website. The page is titled "VERIFY A LICENSE/REGISTRATION". It contains several sections: "Licensee Information", "License Information", "Employed/Managed By", and "Complaint Information". The "Complaint Information" section includes a table with columns for Complaint Number, Status, Disposition, Date of Action, and Disciplinary Action. The first row shows a complaint with a status of "Closed", a disposition of "Sanction Imposed", a date of action of "11/24/2016", and a disciplinary action of "Fine Imposed". The "Sanction Imposed" and "Fine Imposed" text are circled in red. There are also "Back" and "New Search" buttons at the bottom right of the complaint table.

Complaint Number	Status	Disposition	Date of Action	Disciplinary Action
[Redacted]	Closed	Sanction Imposed	11/24/2016	Fine Imposed

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## LATE RENEWAL WITH INSUFFICIENT HOURS

### Rule 211

A licensee who does not earn sufficient qualifying hours during the continuing education period may be allowed to renew a license upon reporting 80 qualifying hours and an additional 4 hours of continuing education credit for each month of time needed to remove the deficiency

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## LATE RENEWAL WITH INSUFFICIENT HOURS

### Example:

- Licensee completes 5 hours AA, 2 hours ET, 33 hours OT for a total of 40 hours in the first earning period
- Licensee takes 2 AA courses in July and 1 in September
  - 3 months after the earning period ended
- 4 hours of CPE to cover the deficiency for every month needed
  - $3 \text{ months} * 4 \text{ hours} = 12 \text{ hours}$  to remove the deficiency


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## USE OF CPA TITLE

- Unless licensed/registered as a CPA, use of CPA term is prohibited on:
  - Card, sign, advertisement, directory listing and other printed, engraved or written instrument or device bearing person's name and the CPA term
- One act is sufficient to justify injunction or conviction without evidence of general course of conduct
- Firm with only one CPA can not use term "CPAs"
- Violations can be subject to fine of up to \$25,000.00 and a felony with imprisonment of up to 5 years

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## REGISTERED CPA V. LICENSED CPA STATUS

- After obtaining a CPA certificate, an individual who seeks to use the CPA title must:
  - Apply for registration (registered status) – seek only to utilize the CPA title
  - Apply for a license – seek to offer to perform the practice public accounting

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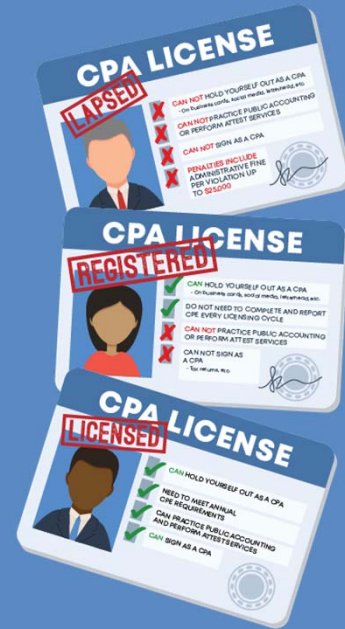
## PRACTICE OF PUBLIC ACCOUNTING

In addition to assurance services, the practice of public accounting includes 1 or more of the following activities when performed or offered to be performed by an individual who is holding himself or herself out as a CPA for a client or a potential client:

 <p>The issuance of reports in connection with any attest or compilation services</p>	 <p>One or more kinds of management advisory, financial advisory, or consulting services, including, but not limited to, business valuation, forensic accounting, and fraud examination services</p>	 <p>The preparation of tax returns</p>	 <p>The furnishing of advice on tax matters</p>
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EARN ONE YEAR'S WORTH OF CPE IN  
THE 12 MONTHS PRECEDING  
APPLICATION FOR **RELICENSURE**



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## LICENSING ISSUES

### Individual v. Firm License

- Individual CPA must be licensed or registered
- If there is a separate entity for the firm, it also must be licensed.
  - EX: John Smith, CPA v. Smith Accounting P.C.
- If no separate entity, then no firm license requirement
- Firm licenses are renewed biannually

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## FIRM LICENSURE

- Firm shall obtain a license in Michigan if:
  - Firm establishes or maintains an office in Michigan
- Report issued may be supervised, signed or the signature may be authorized by an individual who is practicing under individual mobility

[cpamobility.org](http://cpamobility.org)

**NEED TO KNOW**

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## CASE STUDY #3

William, CPA has been licensed as an individual for 25 years. He performs only tax work and a few compilations for clients, but no attest services.

**In setting up his firm, William organized as a P.C.,  
is there anything that William should be worried about?**

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## FIRM OWNERSHIP REQUIREMENTS

Firms applying for Michigan license must meet the following requirements:

- Simple majority of a firm must be CPA owned
- Non-CPA owners must be active participants in the firm or it's affiliated entities
- All attest and compilation services performed by firm in Michigan are performed under supervision of a Michigan CPA in good standing or an equivalent licensing jurisdiction

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## ADDRESS CHANGE – ALL LICENSE TYPES

- Firm and individual CPA licensees must notify LARA within 30 days of any address change
- LARA will not track licensees down, so renewal notices will not be sent to a new address
- The state is not required to send renewal notices, they do so to encourage compliance
- There is no fee for updating your address with LARA



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## LARA RESOURCES

- Licensing Updates:  
[michigan.gov/miplus](https://michigan.gov/miplus) and choose accountancy
  - Name change/address update
  - Firm/individual license
  - License by reciprocity
- Licensing Information:  
[michigan.gov/accountancy](https://michigan.gov/accountancy)
  - How to file an allegation
  - Industry specific experience guidance (marijuana)
  - FAQs

The image shows a screenshot of the LARA (Michigan State Board of Accountancy) application form. The form is titled "CPA LICENSE, RECIPROCITY, REGISTRATION, OR RE-REGISTRATION APPLICATION (This Form Should Not Be Used For License Renewal)". It includes sections for personal information, education, experience, and fees. The form is presented in a digital format with a black border and a white background.

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## CONTINGENT FEES

- When performing one or more of the following client services, a licensee CANNOT charge or receive a contingent fee:
  - Audit or review of financial statements
  - Compilation where CPA can reasonably expect that a 3<sup>rd</sup> party will use the financial statement and CPA has not disclosed lack of independence
  - Examination of prospective financial information
  - For preparation of an original or amended tax return or claim for refund

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## COMMISSION OR REFERRAL FEES

- Licensee may perform services for, or receive for services, a commission so long as it is disclosed
- Cannot receive a commission for recommending or referring a product or service or causing to be recommended, referred or supplied to a client for which it performs:
  - Audit or review of financial statement
  - Compilation where CPA can reasonably expect that 3<sup>rd</sup> party will use the financial statement and CPA has not disclosed lack of independence
  - Examination of prospective financial information

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## CONFIDENTIALITY; DISCLOSURE OF INFORMATION

CPA shall not disclose or divulge and shall not be required to disclose or divulge information relative to and in connection with examination or audit of, or report on, books, records or accounts that CPA or person employed by CPA was employed to make



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## CONFIDENTIALITY (CONTINUED)

- Applies only to state law matters
- This is a privilege that the CPA can assert
- Can make disclosures only if client consents
- CPA/Client Privilege does not apply to certain situations such as
  - Federal matters
  - Malpractice cases
  - Peer Review
  - Ethics investigations
  - Department complaint investigation
- When a CPA reasonably believes a crime has been committed. (Note this is a difference between Michigan's Administrative Rules and AICPA Code)

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## RECORD RETENTION

- Retention of Records:
  - Except for Peer Review record retention, CPAs must retain records for 5 years
  - Documentation shall be consistent with standards established by various standard setting bodies
- Note that the AICPA Code of Professional Conduct has recently updated record retention policies which are effective July 31, 2021.

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## PEER REVIEW

- If required, firm must enroll in the program within one year of the following:
  - Firm's initial licensing date
  - The performance of services that require a peer review
- Proof of peer review not required to be submitted until second renewal following initial licensure or performance of services requiring peer review
- One audit, review, attest service, or compilation of reports that are relied upon by a third party, qualifies you for peer review

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## CASE STUDY #4

- A CPA firm does mainly tax work and a few preparations
- An existing client of the firm is entering the marijuana industry and asks the firm to assist with the license application process, which includes having a CPA attest to the financial statements for capitalization requirements

Does performing the one marijuana attest engagement subject the firm to having a peer review?

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## PROHIBITED CONDUCT; PENALTIES; REPORTS TO DEPARTMENT

- Prohibited conduct (could cost you your license):
  - Fraud in obtaining and/or renewing a license
  - Departure from professional standards
  - Fraud in the practice of accounting
  - Conviction of a felony
  - Mental incompetency
  - Violation of professional standards

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## Questions? [micpa.org/miethicsinfo](http://micpa.org/miethicsinfo)

LARA – 517.241.0199

MICPA – 248.267.3700 | [rreardon@micpa.org](mailto:rreardon@micpa.org)

MICPA Professional Ethics  
Committee – 248.267.3721

MICPA Government Relations  
Department – 248.267.3725



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