



# ARIZONA STATE BOARD OF ACCOUNTANCY

100 North 15<sup>th</sup> Avenue, Suite 165  
Phoenix, Arizona 85007  
Phone (602) 364-0804  
Fax (602) 364-0903  
[www.azaccountancy.gov](http://www.azaccountancy.gov)

October 24, 2016

Dear Sole Practitioner/Managing Partner:

## RE: IMPORTANT CHANGES ABOUT THE REGULATION OF FIRMS – PLEASE READ CAREFULLY

At its September 26, 2016 meeting, the Arizona State Board of Accountancy (Board) voted to pursue rulemaking to repeal Arizona Administrative Code R4-1-455.03(D)(1), which currently requires that a Certified Public Accountant (CPA) or Public Accountant (PA) may only practice public accounting, whether as an owner or employee, in a firm. The Board also voted to place an immediate moratorium on the enforcement of this rule.

### How does this impact my firm?

It depends on two things –

1. The organization of your firm, and
2. the types of accounting services your firm provides

A.R.S. § 32-731 is the general business registration statute. Section A provides except as provided in section 32-725, subsection G, once every two years a **partnership** engaged in this state in the **PRACTICE OF ACCOUNTING** by certified public accountants or public accountants **shall** pay the registration fee pursuant to section 32-729 and **register with the board as a partnership of certified public accountants and shall meet certain requirements.**

Section I(2) defines “partnership” to specifically include a professional corporation (PC), a limited liability company (LLC), and a professional limited liability company (PLLC).

By statute, then, a business must register as a firm if it is:

1. A partnership, PC, LLC, or PLLC that is
2. engaged in the “practice of accounting”

A.R.S. § 32-747.01, on the other hand, requires that **an individual** who holds a certificate issued by the Board to practice as a CPA or a PA generally may provide **ATTEST SERVICES only** if the individual provides attest services **through a firm**. The sole exception to this relates to business entities formed under the laws of another jurisdiction, pursuant to A.R.S. § 32-725(G) which relates to limited reciprocity privilege (mobility).

A.R.S. § 32-701(14) defines "Firm" as a business organization that is engaged in the practice of public accounting and that is established under the laws of any state or foreign country, including

a sole practitioner, partnership, professional corporation, professional limited liability company, limited liability company, limited liability partnership or any other entity recognized by the board that has met the applicable requirements contained in section 32-731.

By statute, then, except as provided in section 32-725(G), if a CPA provides attest services:

1. They must provide the service through a business entity specified in A.R.S. § 32-701(14); and
2. The entity must be registered pursuant to A.R.S. § 32-731.

### **What is the practice of accounting?**

A.R.S. § 32-701(21) defines the practice of accounting as providing “accounting services” for a “client” or an “employer.”

A.R.S. § 32-701(1) – “Accounting services” means services that are commonly and historically performed by accountants, including recording or summarizing financial transactions, bookkeeping, analyzing or verifying financial information, auditing, reviewing or compiling financial statements, reporting financial results, financial planning, providing attestation or tax or consulting services.

A.R.S. § 32-701(7) – “Client” means a person or entity, other than one's employer, for whom accounting services are provided.

A.R.S. § 32-701(11) – “Employer” means a person or entity that hires an individual to perform a service and that directs and controls the manner in which the service is performed.

### **What are attest services?**

A.R.S. § 32-701(3) - “Attest services” means the following services that are rendered by the holder of a certificate issued by the Board:

- (a) Audits or other engagements to be performed in accordance with the statements on auditing standards adopted by the American Institute of Certified Public Accountants.
- (b) Reviews of financial statements to be performed in accordance with the statements on standards for accounting and review services adopted by the American Institute of Certified Public Accountants.
- (c) Any examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements adopted by the American Institute of Certified Public Accountants.
- (d) Any engagement to be performed in accordance with the standards of the Public Company Accounting Oversight Board or its successor.
- (e) Any examination, review or agreed on procedure engagement to be performed in accordance with the statements on standards for attestation engagements adopted by the American Institute of Certified Public Accountants, other than an examination described in subdivision (c) of this paragraph.

**If my firm no longer meets the requirements to be subject to the Board's regulation, what do I do?**

**You should cancel your firm registration.** Please complete, sign, and submit a Firm Cancellation Order Form, found at our web location:

<http://www.azaccountancy.gov/Firms/>

**THIS IS THE ONLY WAY TO CANCEL YOUR FIRM.**

Your request to cancel will be put on a subsequent Board agenda; and, upon the Board's approval, the executed Cancellation Order will be sent to you. If you cancel your firm registration, it is recommended that you take **immediate action**.

If you have any questions or require further clarification, please contact the Board at (602) 364-0804.

Sincerely,



Layne Reid Simmons, CPA  
Board President

**Arizona State Board of  
Accountancy**

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