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

Section
3-01-03-01 Code of Ethics
3-01-03-02 Firm Ownership
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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 commission, and any other bodies, whenever they are relevant and applicable based on services performed by the licensee.

History: Effective July 1, 2008; amended effective April 1, 2018; April 1, 2024.
General Authority: NDCC 43-02.2-03
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 noncertified public accountants or nonlicensed public accountants, but each such owner:

1. Must be:
   a. An individual; or
   b. A qualified plan as described and defined in sections 401(a) and 4975(e)(7) of the Internal Revenue Code [26 U.S.C. 401(a) and 4975(e)(7)], including an employee stock ownership plan.
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.

If any owner of a firm practicing public accounting within this state 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, if so directed by the board.

In the event of death or incapacity of a firm's sole owner, the firm may continue to operate under the owner's name and credential, for up to one year. The board may require firm supervision.

History: Effective July 1, 2008; amended effective April 1, 2018; April 1, 2024; January 1, 2026.
General Authority: NDCC 43-02.2-03
Law Implemented: NDCC 43-02.2-06, 43-02.2-06.1

3-01-03-03. Firm review.

Firms practicing public accounting are 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; amended effective April 1, 2018; April 1, 2024.
General Authority: NDCC 43-02.2-03
Law Implemented: NDCC 43-02.2-06