

ACCOUNTING EXAMINING BOARD

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Chapter Accy 1

RULES OF CONDUCT

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History: Chapter Accy 1 as it existed on June 30, 1974 was repealed and a new Chapter Accy 1 was created, Register, June, 1974, No. 222, effective July 1, 1974.

Accy 1.001 Applicability of rules. (1) A person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, may be held responsible for compliance with the rules of conduct by all persons associated with him in the practice of public accounting who are either under his supervision or are his partners or shareholders in the practice.

(a) A person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall not permit others to carry out on his behalf, either with or without compensation, acts which, if carried out by him, would place him in violation of the rules of conduct.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74.

SUBCHAPTER I, INDEPENDENCE, INTEGRITY AND OBJECTIVITY

Accy 1.101 Independence. (1) A person licensed to practice as a certified public accountant or public accountant, as defined by the statutes, or a firm of which the certified public accountant or public accountant is a partner or shareholder, shall not express an opinion on financial statements of an enterprise unless the certified public accountant or public accountant and the firm are independent with respect to such enterprise. Independence will be considered to be impaired if, for example:

(a) During the period of a professional engagement, or at the time of expressing an opinion, the certified public accountant or public accountant or the firm

1. a. Had or was committed to acquire any direct or material indirect financial interest in the enterprise; or

b. Was a trustee of any trust or executor or administrator of any estate if such trust or estate had or was committed to acquire any direct or material indirect financial interest in the enterprise; or

2. Had any joint closely held business investment with the enterprise or any officer, director or principal stockholder thereof which was mate-

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rial in relation to the certified public accountant's or public accountant's or the firm's net worth; or

3. Had any loan to or from the enterprise or any officer, director or principal stockholder thereof. This latter proscription does not apply to the following loans from a financial institution when made under normal lending procedures, terms and requirements:

a. Loans obtained by a certified public accountant or public accountant or the certified public accountant's or public accountant's firm which are not material in relation to the net worth of such borrower.

b. Home mortgages.

c. Other secured loans, except loans guaranteed by a certified public accountant's or public accountant's firm which are otherwise unsecured.

(b) During the period covered by the financial statements, during the period of the professional engagement or at the time of expressing an opinion, the certified public accountant or public accountant, or the firm

1. Was connected with the enterprise as a promoter, underwriter or voting trustee, a director or officer or in any capacity equivalent to that of a member of management or of an employee; or

2. Was a trustee for any pension or profit-sharing trust of the enterprise.

3. The above examples are not intended to be all-inclusive.

(2) Interpretations of Accey 1.101, not intended to be all-inclusive, are as follows:

(a) *Honorary directorships and trusteeships.* Certified public accountants and public accountants are often asked to lend the prestige of their names to not-for-profit organizations that limit their activities to those of a charitable, religious, civic or similar nature by being named as a director or a trustee.

1. A certified public accountant or public accountant who permits his or her name to be used in this manner and who is associated with the financial statements of the organization would not be considered lacking in independence under Accey 1.101 as long as:

a. The position is purely honorary,

b. The position is identified as honorary in all letterheads and externally circulated materials in which the certified public accountant or public accountant is named as a director or trustee,

c. The certified public accountant or public accountant restricts participation to the use of his or her name, and

d. The certified public accountant or public accountant does not vote or otherwise participate in management functions.

2. It is the intent of the board that organizations to which certified public accountants or public accountants lend only the prestige of their names will have sufficiently large boards of directors or trustees to clearly permit the certified public accountant or public accountant to

profession in violation of Accty 1.401. It would be a violation of the code to retain a client's records to enforce payment. A certified public accountant's or public accountant's working papers are his or her property and need not be surrendered to the client. However, in some instances working papers will contain data which should properly be reflected in the client's books and records but which for convenience have not been duplicated therein, with the result that the client's records are incomplete. In such instances, the portion of the working papers containing such data constitutes part of the client's records, and copies should be made available to the client upon request. If a certified public accountant or public accountant is engaged to perform certain work for a client and the engagement is terminated prior to the completion of such work, the certified public accountant or public accountant is required to return or furnish copies of only those records originally given to the certified public accountant or public accountant by the client. Examples of working papers that are considered to be the client's records would include:

1. Worksheets in lieu of books of original entry (e.g., listings and distributions of cash receipts or cash disbursements on columnar working paper).
2. Worksheets in lieu of general ledger or subsidiary ledgers, such as accounts receivable, job cost and equipment ledgers, or similar depreciation records.
3. All adjusting and closing journal entries and supporting details. (If the supporting details are not fully set forth in the explanation of the journal entry, but are contained in analyses of accounts in the accountant's working papers, then copies of such analyses must be furnished to the client.)
4. Consolidating or combining journal entries and worksheets and supporting detail used in arriving at final figures incorporated in an end product such as financial statements or tax returns.

(am) Any working papers developed by the certified public accountant or public accountant incident to the performance of an engagement which do not result in changes to the client's records or are not in themselves part of the records ordinarily maintained by such clients are considered to be solely "accountant's working papers" and are not the property of the client, for example:

The certified public accountant or public accountant may make extensive analyses of inventory or other accounts as part of his selective audit procedures. Even if such analyses have been prepared by client personnel at the request of the certified public accountant or public accountant, they nevertheless are considered to be part of the accountant's working papers. Only to the extent such analyses result in changes to the client's records would the certified public accountant or public accountant be required to furnish the details from his working papers in support of the journal entries recording such changes, unless the journal entries themselves contain all necessary details.

(an) Once the certified public accountant or public accountant has returned the client's records or furnished the copies of such records and/or necessary supporting data, the obligation has been discharged in this

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regard and it is not necessary to comply with any subsequent requests to again furnish such records.

(ao) If the certified public accountant or public accountant has retained copies of a client's records already in possession of the client, the certified public accountant or public accountant is not required to return such copies to the client.

(b) *Conviction of a crime.* Conviction of a crime the circumstances of which substantially relate to the practice of accounting is an act discreditable to the profession in violation of s. Accty 1.401. As enumerated below, the board shall act as follows:

1. On conviction of a felony, the circumstances of which substantially relate to the practice of accounting the board will initiate charges in every instance.

2. On conviction for willful failure to file an income tax return or other document which, the certified public accountant or public accountant as an individual is required by law to file, for filing a false or fraudulent income tax return or other document on his or her or a client's behalf, or for willful aiding in the preparation and/or presentation of a false or fraudulent income tax return of a client, or the willful making of a false representation in connection with the determination, collection or refund of any tax, whether it be in his or her own behalf or in behalf of a client, the board will initiate charges in every instance.

3. On conviction of a misdemeanor the circumstances of which substantially relate to the practice of accounting the board will review the circumstances and the nature of the act resulting in conviction. Each such situation will be considered by the board as an informal complaint. The minutes of the board will reflect the fact of review and the resulting disposition of the informal complaint. Such convictions that are professionally related and related to good moral character (see ch. Accty 6) can be the basis for bringing formal charges and subsequent board action.

4. On conviction for failure to act with integrity and trustworthiness with information or property of others, the board will initiate charges in every instance.

Note: See also s. Accty 6.03 for board considerations on good moral character.

(c) *Receiving fees for services not performed.* The deliberate receipt and retention of a fee from a client for services not performed when the client has been given reason to believe that there should be performance, or the withholding of services and receiving a retainer or fee when the services agreed upon have knowingly been withheld, are acts discreditable to the matter between the certified public accountant or public accountant and the client, and except as related to the provision, the board does not have authority to set or regulate fees or for taking jurisdiction in such matters. The term "services not performed" means situations in which the actual work for which payment is received is not done.)

(d) *Discrimination in employment practices.* Discrimination based on race, color, religion, sex, age or national origin in hiring, promotion or salary practices is presumed to constitute an act discreditable to the profession in violation of Accty 1.501.

(e) Engagements obtained through efforts of third parties. Certified public accountants and public accountants are often asked to render professional services to clients or customers of third parties. Such third parties may have obtained such clients or customers as the result of their advertising and solicitation efforts.

1. Certified public accountants or public accountants are permitted to enter into such engagements. The certified public accountant or public accountant has the responsibility to ascertain that all promotional efforts are within the bounds of the rules of conduct. Such action is required because the certified public accountant or public accountant will receive benefits of such efforts by third parties, and certified public accountants and public accountants may not circumvent any rule of conduct by use of third parties.

History: Cr. Register June, 1974, No. 222, eff. 7-1-74; cr. (2), Register, February, 1976, No. 242, eff. 4-1-76; am. (2) (b), Register, July, 1979, No. 283, eff. 9-1-79; renum. from Accy 1.501 and am. (2) (intro.) (a) and (b), cr. (2) (d) and (e), Register, July, 1980, No. 295, eff. 8-1-80; am. (2) (b) intro. and cr. (2) (b) 4., Register, April, 1981, No. 304, eff. 5-1-81.

Accy 1.402 Advertising or other forms of solicitation. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall seek to obtain clients by advertising or other forms of solicitation in a manner that is false, fraudulent, misleading or deceptive. The direct uninvited solicitation of a specific potential client is prohibited.

(2) Interpretations of Accy 1.402, not intended to be all-inclusive, are as follows:

(a) *Informational advertising.* Advertising that is informative and objective is permitted. Such advertising should be in good taste and be professionally dignified. Other than this, there are no restrictions on the type of advertising or media, frequency of placement, size, art work or type style. Some examples of informative and objective content are:

1. Information about the certified public accountant or public accountant and the certified public accountant's or public accountant's firm such as:

a. Name, addresses, telephone numbers, number of partners, shareholders or employes, office hours, foreign language competence and date the firm was established.

b. Services offered and fees for such services, including hourly rates and fixed fees.

c. Educational and professional attainments, including date and place of certifications, schools attended, dates of graduation, degrees received and membership in professional associations.

2. Statements of policy or position made by a certified public accountant or public accountant or a certified public accountant's or public accountant's firm related to the practice of public accounting or addressed to a subject of public interest.

(b) *False, fraudulent, misleading or deceptive acts.* Advertising or other forms of solicitation that are false, fraudulent, misleading or deceptive are not in the public interest and are prohibited. Such activities include those that:

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1. Create false, fraudulent, or unjustified expectations of favorable results;
2. Imply the ability to influence any court, tribunal, regulatory agency or similar body of officials;
3. Consist of statements that are self-laudatory which are not based on verifiable facts;
4. Make comparisons with other certified public accountants or public accountants;
5. Contain any testimonials or endorsements;
6. Contain any other representations that would be likely to cause a reasonable person to misunderstand or be deceived.

(c) *Other forms of solicitation.* Certified public accountants or public accountants may engage in a variety of activities to enhance their reputations and professional stature with the objective of expanding their clientele. Such indirect forms of solicitation, which include giving speeches, conducting seminars, distributing professional literature and writing articles and books, are considered to be in the public interest and are permitted. A direct uninvited solicitation of a specific potential client, in person or in a communication tailored in content to that specific recipient, by a certified public accountant or public accountant relating to his professional service, is prohibited. However, invitations that are not tailored in content to the specific recipient can be issued to potential clients to invite them to attend seminars conducted by the certified public accountant or the public accountant.

(d) *Self-designation as expert or specialist.* Claiming to be an expert or specialist is prohibited because adequate methods for recognizing competence in specialized fields has not been developed and self-designations would be likely to cause misunderstanding or deception. A certified public accountant or public accountant or a certified public accountant's or public accountant's firm may indicate the services offered but may not state that the practice is limited to one or more types of service.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; cr. (2), Register, December, 1974, No. 228, eff. 1-1-75; r. and recr. (2) (a), (g), (j) and (n), Register, February, 1976, No. 242, eff. 4-1-76; r. and recr. Register, July, 1978, No. 271, eff. 9-1-78; renum. from Accey 1.502 and am. (2) (intro.), Register, July, 1980, No. 295, eff. 8-1-80.

Accey 1.403 Commissions. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall pay a commission to obtain a client, nor shall he accept a commission for a referral to a client of products or services of others. This rule shall not prohibit payments for the purchase of an accounting practice or retirement payments to individuals formerly engaged in the practice of public accounting or payments to their heirs or estates.

(2) Interpretations of Accey 1.403, not intended to be all-inclusive, are as follows:

(a) Fees in payment for services. Accey 1.403, which prohibits payment of a commission to obtain a client, was adopted to avoid a client's having to pay fees for which he or she did not receive commensurate services. However, payment of fees to a referring certified public accountant or Register, April, 1981, No. 304

public accountant for professional services to the successor firm or to the client in connection with the engagement is not prohibited.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; cr. (2), Register, December, 1974, No. 228, eff. 1-1-75; renum. from Accey 1.503 and am. (2), Register, July, 1980, No. 295, eff. 8-1-80.

Accey 1.404 Incompatible occupations. (1) A person who is engaged in practice as a certified public accountant, or public accountant, as defined in the statutes, shall not concurrently engage in any business or occupation which would create a conflict of interest rendering professional services.

(2) Interpretations of sub. (1) not intended to be all-inclusive, are as follows:

(a) Engaging concurrently with the practice of public accounting in any business or occupation inconsistent with the certified public accountant's or public accountant's responsibilities under the Wisconsin rules of conduct would constitute involvement in an incompatible occupation prohibited by sub. (1).

(b) The above proscription would apply to any business or occupation which:

1. Detracts from the public image of the profession, as for example, on moral or legal grounds, or involves conduct which would constitute an act discreditable to the profession, or,

2. Impairs the certified public accountant's or public accountant's objectivity in rendering professional services to clients, or,

3. Inherently involves responsibilities which are likely to conflict with the certified public accountant's or public accountant's responsibility to others arising out of the client-certified public accountant or public accountant relationship.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; cr. (2), Register, February, 1976, No. 242, eff. 4-1-76; r. and recr. Register, July, 1978, No. 271, eff. 9-1-78; cr. (2), Register, July, 1979, No. 283, eff. 9-1-79; renum. from Accey 1.504, Register, July, 1980, No. 295, eff. 8-1-80; am. (2) (intro.) and (a), Register, April, 1981, No. 304, eff. 5-1-81.

Accey 1.405 Form of practice and name. 1. No person or firm licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, may practice, whether as an owner or employe, in a form other than a proprietorship, a partnership, or a service corporation, whose characteristics conform to those defined in Wisconsin Statutes.

(a) No person licensed to practice as a certified public accountant or public accountant, as defined in the statutes, shall practice under a firm name which includes a fictitious name, indicates specialization or is misleading as to the type of organization (proprietorship, partnership or corporation). However, names of one or more past partners or shareholders may be included in the firm name of a successor partnership or corporation, provided that such persons were licensed or eligible to be licensed in accordance with requirements for all partners or shareholders of the successor partnership or corporation. Also a partner surviving the death or withdrawal of all other partners may continue to practice under the partnership name for up to 2 years after becoming a sole practitioner.

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(b) All changes in status of ownership or in firm names shall be reported in writing to the board within 60 days after the event.

(c) A firm may not designate itself as "Certified Public Accountants" unless all of its partners or shareholders are certified public accountants.

(2) No person or firm who is engaged in practice as a certified public accountant or public accountant, as defined in the statutes, shall practice using a name or designation that is misleading as to the number of responsible individuals with an equity in the firm. A sole proprietor therefore cannot use a name implying multiple ownership such as "& Co." or "& Company" or "& Associates," and a partnership cannot use the name of an individual so that multiple ownership is not disclosed. A firm with multiple ownership may not imply in the firm's name that there are owners of the firm in addition to those specifically mentioned in the firm's name when no additional owners exist.

(3) Interpretations of Acct 1.405, not intended to be all-inclusive, are as follows:

(a) Investment in commercial accounting corporation. A member in the practice of public accounting may have a financial interest in a commercial corporation which performs for the public services of a type performed by certified public accountants or public accountants and whose characteristics do not conform to resolutions of council of the American institute of certified public accountants, provided such interest is not material to the corporations' net worth, and the certified public accountant's or public accountant's interest in and relation to the corporation is solely that of an investor.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; cr. (2), Register, December, 1974, No. 228, eff. 1-1-75; r. and recr. (1) (a), renum. (2) to be (3) and cr. (2), Register, February, 1976, No. 242, eff. 4-1-76; renum. from Acct 1.505 and am. (3) (intro.), Register, July, 1980, No. 295, eff. 8-1-80; am. (2) (intro.) and (a), Register, April, 1981, No. 304, eff. 5-1-81.

Acct 1.406 Practice while suspended. No person who is licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, who has been suspended, shall practice as a certified public accountant or public accountant during the period of such suspension.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; renum. from Acct 1.506, Register, July, 1980, No. 295, eff. 8-1-80.

Acct 1.407 Communications. A certified public accountant shall, when requested, respond to communications from the board within 30 days of the mailing of such communications by registered or certified mail.

History: Cr. Register, July, 1978, No. 271, eff. 9-1-78; renum. from Acct 1.507, Register, July, 1980, No. 295, eff. 8-1-80.