

# A PEEK AT PEEC

(AICPA PROFESSIONAL ETHICS EXECUTIVE CMTE)



**2011 Regional Meetings**

**June 10 – Omaha, NE**

**June 24 – Point Clear, AL**

**NASBA**

# PANEL DISCUSSION

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**Wes Williams, PEEC Chair**

**Lisa Snyder, Director of AICPA  
Ethics Division**

**Gaylen Hansen, Moderator and  
Member of PEEC**



# Discussion Topics

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- Network Firms in Practice
- CPA Firm Name Issues
- On the Drawing Board
  - Client Records
  - Business & Industry



# Network Firm Criteria

## ET 101-17

- If a firm “cooperates” as part of an association, and
- Shares at least one of the following with other firms
  - Common brand name
  - Common control
  - Profits or costs
  - Common business strategy
  - Significant professional resources
  - Common QC policies & procedures



**If one or more criteria are met, the firm is considered a “network firm” and needs to be independent of F/S audit and review clients of other network firms in the network.**

# UAA Exposure Draft

## CPA Firm Names

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*Network* is an association of at least 2 or more entities that:

- Cooperates pursuant to agreement for purpose of enhancing capabilities to provide professional services, *and*;
- Shares one or more of the following:
  - Use of a common brand name
  - Common control
  - Profits or costs
  - Common business strategy
  - Significant part of professional resources
  - Common quality control policies and procedures



**A “Network Firm” is a CPA firm that is part of a Network as defined above. UAA definition is the same as AICPA / ET 101-17 definition.**

# UAA Exposure Draft CPA Firm Names

Firm names that are not considered misleading includes

- Use of a common brand name as *part of* firm name if firm is a “*Network Firm*” as defined
- Network Name as the firm name, provided it is a Network Firm and shares one or more of other characteristics in network definition (i.e., other than common brand name)
  - Use of CPA title when all named individuals are CPAs and are owners or former owners
  - A non-CPA owner in name if CPA title is not used



# UAA Exposure Draft CPA Firm Names

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Firm names that are considered misleading includes –

- Individual in name who is not a CPA if “CPAs” is used
- Indicating association with persons who are not members of firm (except as permitted under Network Firm provision)
- Use of “& Company” or “& Associate” if firm does have, in addition to named partner/owner at least one other unnamed partner/owner or employee
  - Name of an owner whose license is revoked for disciplinary reasons by State Board
  - Any representation that would likely cause a reasonable person to have a false/unjustified expectation of favorable results or capabilities



# Retention of Client Records

## ET 501-1

- Recent editorial revision of “client records”
  - Client provided records are accounting or other records belonging to client provided by or on behalf of the client, ***including reproductions of such records***
- Task Force recommending
  - Highlight state boards’ more restrictive rules on unpaid fees
  - Guidance on how to treat electronic records
  - Guidance on “CPA work product” (e.g., accountant’s reports)



# Definition: Member in Business & Industry ET 92

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*A member employed or engaged on a contractual basis or volunteer basis in an executive, staff, or administrative capacity in such areas as industry, the public sector, education, the not-for-profit sector, regulatory bodies, or professional bodies. This does not include members while engaged in the practice of public accounting.*



**Allows for the fact that CPA in public practice may simultaneously also be engaged in B&I (e.g., serve as a volunteer board member)**

# Confidential Employment Information

## ET 501-9

- Applies to *all* members/CPAs
- Covers confidential information of current or prior employer (includes volunteer activities)
  - *Proprietary* information outside public domain and obtained as result of employment relationship
  - Act discreditable if used without employer consent unless legal or professional responsibility exists



**Not intended to prohibit member from using expertise gained through prior employment relationships.**

# Confidential Employment Information

## ET 501-9

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- Exceptions for disclosure
  - Complaints with disciplinary or regulatory body
  - Protect interests in legal proceedings
  - Report concerns on employer's confidential complaint hotline or to those charged with governance
  - Obtain financing with lenders; deal with vendors, clients, customers, etc. on behalf of employer



# Financial interests

## ET 501-10

Threats to integrity and objectivity of CPA in B&I or their immediate/close family member's financial interest in or other relationship with employer, e.g.

- A financial interest in employer and value directly affected by decisions of CPA
- Eligibility for profit/performance-related bonus and value directly affected by decisions of CPA
- Qualifying for share options if certain targets are achieved



**Does not prohibit CPAs in B&I from having financial interests in employer.**

# Financial interests

## ET 501-10

- Significance of threat should be evaluated and safeguards applied, when appropriate and reasonable, to eliminate threat or reduce it to an acceptable level
- Examples of safeguards include:
  - Consultation with relevant professional bodies
  - Up-to-date education on ethical issues and legal restrictions



**In evaluating significance of threat, nature and significance of financial interest should be evaluated.**

# Financial interests

## ET 501-10

- Examples of safeguards include (cont'd):
  - Policies and procedures for committee independent of CPA to determine level or form of remuneration
  - Consultation with superiors / those charged with governance
  - Disclosure of relevant interests and plans to trade shares
  - Internal and external audit procedures
  - Current knowledge of regulations, e.g., insider trading



**In evaluating significance of threat, nature and significance of financial interest should be evaluated.**

# Deceptive Acts in Promoting or Marketing ET 501-11

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- If CPA in B&I promotes/markets abilities to provide professional services or makes claims about experience or qualifications in false, misleading, or deceptive manner = Act Discreditable
- Includes claims/representations that would cause a *reasonable person* to misunderstand/be deceived
- Includes representation about CPA licensure or other professional certification or accreditation

