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Bureau

CERTIFICATE

STATE OF WISCONSIN

DEPARTMENT OF REGULATION AND LICENSING

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Freddie Marsh-Lott, Director, Bureau of Business and Design Professions in the Wisconsin Department of Regulation and Licensing and custodian of the official records of the Accounting Examining Board, do hereby certify that the annexed rules were duly approved and adopted by the Accounting Examining Board on the 15th day of December, 1989.

I further certify that said copy has been compared by me with the original on file in this office and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the board at 1400 East Washington Avenue, Madison, Wisconsin, this 15 day of Dec., 1989.



Freddie Marsh-Lott, Director
Bureau of Business and Design
Professions
Department of Regulation and
Licensing

IN THE MATTER OF RULE-MAKING : ORDER OF THE ACCOUNTING
PROCEEDINGS BEFORE THE : EXAMINING BOARD ADOPTING RULES
ACCOUNTING EXAMINING BOARD : (Clearinghouse Rule 89-13)

ORDER

AN ORDER to repeal Accy 1.403, 1.405 (1) (b), 3.03 (10) 5.02 (2) and (3), and 8.03 (2), to amend Accy 5.02 (1), 7.05 (1), and to repeal and recreate Accy 1.302, relating to contingency fees, commissions, referral fees, requirements for certification by endorsement, procedures for reviewing the experience of applicants and residency requirements.

Analysis prepared by the Department of Regulation and Licensing.

ANALYSIS

Statutory authority: ss. 15.08, 227.11 (2), Stats.

In this proposal the Accounting Examining Board amends its restrictions on the use of contingent fees and commissions. These changes are made to conform to a consent agreement reached between the Federal Trade Commission and the American Institute of Certified Public Accountants. The changes proposed permit accountants to receive contingent fees and commissions in certain circumstances. Generally commission and contingent fee arrangements are prohibited during the period that the accountant provides attest services and during the period covered by any historical financial statements involved in the attest services. If a commission or contingent fee arrangement is made, the rules require disclosure to the client. An accountant may also receive a referral fee if disclosure is made.

Procedures for licensing applicants by endorsement are changed to permit applicants with significant experience to become certified.

Experience review procedures are changed to require that applicants make a request for an experience review and also submit relevant documentation.

Current requirements that applicants for examination or endorsement be Wisconsin residents or provide evidence of an intention to practice in Wisconsin are repealed.

TEXT OF RULE

SECTION 1. Accy 1.302 is repealed and recreated to read:

Accy 1.302 CONTINGENT FEES, COMMISSIONS, AND REFERRAL FEES. (1)
DEFINITIONS. As used in this section:

(a) "Attest service" means any audit, any review of a financial statement, or any compilation of a financial statement when the certified public accountant or public accountant expects, or reasonably might expect, that a third party will use the compilation and the certified public accountant or public accountant does not disclose a lack of independence, or any examination of prospective financial information.

(b) "Audit" means an examination of financial statements of a person by a certified public accountant or public accountant, conducted in accordance with generally accepted auditing standards, to determine whether, in the opinion of the certified public accountant or public accountant, the statements conform with generally accepted accounting principles or, if applicable, with another comprehensive basis of accounting.

(c) "Commission" means compensation, except a referral fee, for recommending or referring any product or service to be supplied by another person.

(d) "Compilation of a financial statement" means a presentation of information in the form of a financial statement that is the representation of any other person without the undertaking of the certified public accountant or public accountant to express any assurance on the statement.

(e) "Contingent fee" means a fee established for the performance of any service according to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service.

(f) "Examination of prospective financial information" means an evaluation by a certified public accountant or public accountant of a forecast or projection, the support underlying the assumptions in the forecast or projection, whether the presentation of the forecast or projection is in conformity with professional presentation guidelines, or, whether the assumptions in the forecast or projection provide a reasonable basis for the forecast or projection.

(g) "Forecast" means a prospective financial statement that presents, to the best of the responsible party's knowledge and belief, an entity's expected financial position, results of operations, and changes in financial position or cash flows that are based on the responsible party's assumptions reflecting conditions it expects to exist and the course of action it expects to take.

(h) "Person" means any natural person, corporation, partnership, unincorporated association, or other entity.

(i) "Projection" means a prospective financial statement that presents, to the best of the responsible party's knowledge and belief, given one or more hypothetical assumptions, an entity's expected financial position, results of operations, and changes in financial position or cash flows that are based on the responsible party's assumptions reflecting conditions it expects would exist and the course of action it expects would be taken given such hypothetical assumptions.

(j) "Referral fee" means compensation for recommending or referring any service of a certified public accountant or public accountant to any person.

(k) "Review" means to perform an inquiry and analytical procedures that permit a certified public accountant or public accountant to determine whether there is a reasonable basis for expressing limited assurance that there are no material modifications that should be made to financial statements in order for them to be in conformity with generally accepted accounting principles or, if applicable, with another comprehensive basis of accounting.

(2) CONTINGENT FEES. Except as provided in sub. (3), a certified public accountant or public accountant may charge a contingent fee provided the accountant and the client make a contingent fee agreement in writing, signed by the client, which states the method by which the fee is to be determined and describes all costs and expenses to be charged to the client. Upon conclusion of the contingent fee matter, the accountant shall provide the client with a written statement showing the fee and all the costs and expenses charged to the client.

(3) CERTAIN CONTINGENT FEES PROHIBITED. No certified public accountant or public accountant may receive a contingent fee from any person for whom the accountant performs attest services during the period of the attest services engagement or the period covered by any historical financial statements involved in the attest services.

(4) COMMISSIONS. Except as provided in sub. (5), a certified public accountant or public accountant may receive a commission provided that at the time the referral or recommendation is made, the accountant informs the client in writing of the amount and reason for the commission.

(5) CERTAIN COMMISSIONS PROHIBITED. No certified public accountant or public accountant may receive a commission from any person for whom the accountant performs attest services, or may receive a commission for any products or services sold to any person for whom the accountant performs attest services, during the period of the attest services or the period covered by any historical financial statement involved in the attest services.

(6) REFERRAL FEES. No certified public accountant or public accountant may receive a referral fee unless all of the following apply:

(a) The accountant who accepts the referral fee discloses to the client, in writing, at the time the referral is made, the amount of and reason for the referral fee.

(b) The accountant who pays the referral fee discloses to the client, in writing, within 30 days after the referral is made, the amount of and reason for the referral fee.

(7) EXCEPTIONS. This section 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.

SECTION 2. Accy 1.403, 1.405 (1) (b) and 3.03 (10) are repealed.

SECTION 3. Accy 5.02 (1) is amended to read:

Accy 5.02 (1) Following the successful passing of the written uniform CPA examination and upon written request by a candidate, a candidate's experience will be reviewed by the board. The written request shall include employer verification statements and information on experience to update the experience data already in the candidate's file. Such evaluation will determine whether the candidate qualifies at that time under the requirement of 1 1/2 years of accounting experience equivalent to that of a senior in public practice. ~~If additional experience is needed, a future date for review will be established by the board.~~ The board shall inform the candidate if additional experience is needed. Upon gaining the required additional experience, the candidate shall notify the board and provide verification.

SECTION 4. Accy 5.02 (2) and (3) are repealed.

SECTION 5. Accy 7.05 (1) is repealed and recreated to read:

Accy 7.05 (1) An applicant may receive a certified public accountant certificate by endorsement if the applicant satisfies one of the following requirements:

(a) The applicant meets the Wisconsin requirements for the certified public accountant certificate existing at the time of the application.

(b) The applicant provides evidence satisfactory to the board that he or she meets all of the following requirements:

1. The applicant holds a current certificate as a certified public accountant issued by another state.

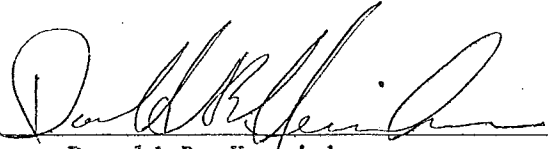
2. The applicant has passed the uniform certified public accountant examination.

3. The applicant has practiced in good standing at the senior level, as accepted under ch. Accy 5, for at least 5 years following initial licensure within the 10 years immediately preceding application under this section; or the applicant has practiced public accounting for at least 5 years following initial licensure and demonstrates that he or she has participated in a program of continuing professional education which is satisfactory to the board.

SECTION 6. Accy 8.03 (2) is repealed.

The rules adopted in this order shall take effect on the first day of the month following publication in the Wisconsin administrative register, pursuant to s. 227.22(2)(intro), Stats.

Dated: 12/15/89

Agency: 
Donald R. Henrickson
Chair, Accounting Examining Board

CORRESPONDENCE/MEMORANDUM

STATE OF WISCONSIN

DATE: December 19, 1989 **FILE REF:**

TO: Gary Poulson
Assistant Revisor of Statutes

FROM: Pamela Haack, Rules Center Coordinator
Department of Regulation and Licensing

SUBJECT: Final Rulemaking Order

RECEIVED

DEC 19 1989

Revisor of Statutes
Bureau

Agency: ACCOUNTING EXAMINING BOARD

Clearinghouse Rule: 89-13

Attached is a copy and a certified copy of a final order adopting rules.

Would you please publish these rules in the code. Thanks, Gary.