

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History: Chapter Accy 1 as it existed on June 30, 1974 was repealed and a new Chapter Accy 1 was created, Register, June, 1974, No. 222, effective July 1, 1974.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) No person licensed to practice as a certified public accountant or public accountant, as defined in the statutes, or a firm of which he is a partner or shareholder, shall express an opinion on financial statements of an enterprise unless he and any partnership or firm with which he is associated are independent with respect to such enterprise. Independence does not exist where:

(a) During the period of his professional engagement, or at the time of expressing his opinion, he or his partnership or firm

1. 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 material in relation to his net worth; or the net worth of any partnership or firm with which he is associated, 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:

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a. Loans obtained by him or any partnership or firm with which he is associated which are not material in relation to the net worth of such borrower.

b. Home mortgages.

c. Other secured loans, except loans guaranteed by any partnership or firm with which he is associated which are otherwise unsecured.

(b) During the period covered by the financial statements, or during the period of the professional engagement, or at the time of expressing an opinion, he or his partnership or firm

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

2. Was a trustee of any trust or personal representative of any estate if such trust or estate had a direct or material indirect financial interest in the enterprise; or was a trustee for any pension or profit sharing trust of the enterprise.

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

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

Accy 1.102 Integrity and objectivity. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall knowingly misrepresent facts, and when engaged in the practice of public accounting, including the rendering of tax and management advisory services, shall not subordinate his judgment to others. In tax practice, a member may resolve doubt in favor of his client as long as there is reasonable support for his position.

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

Accy 1.103 Disclosure of interest. As to disclosure of interest in corporation reported on, section 442.10, Wis. Stats., is controlling.

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

SUBCHAPTER II, COMPETENCE AND TECHNICAL STANDARDS

Accy 1.201 Competence. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall undertake any engagement which he or the partnership or firm with which he is associated cannot reasonably expect to complete with professional competence.

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

Accy 1.202 Auditing standards. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall permit his name to be associated with financial statements in such a manner as to imply that he is acting as an independent public accountant, unless he has complied with the applicable generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants. Statements on auditing standards issued by the American Institute of Certified Public Accountant's committee on auditing standards are, for purposes of this rule, considered to be interpretations of the generally accepted auditing standards, and departures from such statements must be justified by those who do not follow them.

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

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Accy 1.203 Accounting principles. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such statements contain any departure from an accounting principle promulgated by the body designated by the Council of the American Institute of Certified Public Accountants to establish such principles which has a material effect on the statements taken as a whole, unless he can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases his report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement.

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

Accy 1.204 Forecasts. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall permit his name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that he vouches for the achievability of the forecast.

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

SUBCHAPTER III, RESPONSIBILITIES TO CLIENTS

Accy 1.301 Confidential client information. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall disclose any confidential information obtained in the course of a professional engagement except with the consent of the client or through the due process of law.

(2) This rule shall not be construed:

(a) To relieve such a person of his obligation under Sections Accy 1.202 and 1.203, Wis. Adm. Code.

(b) To affect in any way his compliance with a validly issued subpoena or summons enforceable by order of a court,

(c) To prohibit review of such a person's professional practices as a part of voluntary quality review under authorization of the American Institute of Certified Public Accountants or the Wisconsin Society of Certified Public Accountants or

(d) To preclude a certified public accountant or public accountant from responding to an inquiry made by the ethics division of Trial Board of American Institute of Certified Public Accountants, by duly constituted investigative or disciplinary body of a state CPA society, or under any state statutes.

(3) Members of the ethics division and Trial Board of the American Institute of Certified Public Accountants and professional practice reviewers under American Institute of Certified Public Accountants authorization, or their state society counterparts, shall not disclose any confidential client information which comes to their attention from such persons in disciplinary proceedings or otherwise in carrying out their official responsibilities. However, this prohibition shall not restrict the exchange of information with an aforementioned duly constituted investigative or disciplinary body.

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

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Accy 1.302 Contingent fees. (1) Professional services shall not be offered or rendered under an arrangement whereby no fee will be charged unless a specified finding or result is attained, or where the fee is otherwise contingent upon the findings or results of such services. However, fees may vary depending, for example, on the complexity of the service rendered.

(a) Fees are not regarded as being contingent if fixed by courts or other public authorities or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies.

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

SUBCHAPTER IV, RESPONSIBILITIES TO COLLEAGUES

Accy 1.401 Encroachment. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall endeavor to provide a person or entity with a professional service which is currently provided by another licensed certified public accountant, or public accountant, except:

(a) He may respond to a request for a proposal to render services and may furnish service to those who request it. However, if an audit client of another independent public accountant requests such a person to provide professional advice on accounting or auditing matters in connection with an expression of opinion on financial statements, he must first consult with the other accountant to ascertain that he is aware of all the available relevant facts.

(b) Where he is required to express an opinion on combined or consolidated financial statements which include a subsidiary, branch or other component audited by another such accountant, he may insist on auditing any such component which in his judgment is necessary to warrant the expression of his opinion.

(c) A person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, who receives an engagement for services by referral from another such accountant shall not accept the client's request to extend his services beyond the specific engagement without first notifying the referring accountant, nor shall he seek to obtain any additional engagement from the client.

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

Accy 1.402 Offers of employment. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall make a direct or indirect offer of employment to an employe of another such accountant on his own behalf or that of his client without first informing such accountant. This rule shall not apply if the employe on his own initiative or in response to a public advertisement applies for employment.

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

SUBCHAPTER V, OTHER RESPONSIBILITIES AND PRACTICES

Accy 1.501 Act discreditable. (1) No person licensed to practice as a certified public accountant, or public accountant, as defined in the statutes, shall commit an act discreditable to the profession.

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

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Accy 1.502 Solicitation and advertising. (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 solicitation. Advertising is a form of solicitation and is prohibited.

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

Accy 1.503 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.

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

Accy 1.504 Incompatible occupations. (1) No person who is engaged in practice as a certified public accountant, or public accountant, as defined in the statutes, shall concurrently engage in any business or occupation which impairs his objectivity in rendering professional services or which serves as a feeder to his practice.

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

Accy 1.505 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 any 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. 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.

(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.

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

Accy 1.506 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.