

Chapter Accy 1

RULES OF CONDUCT

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Note: Chapter Accy 1 as it existed on June 30, 1974 was repealed and a new Chapter Accy 1 was created, Register, June, 1974, No. 222, effective July 1, 1974.

Subchapter I — Applicability and Definitions

Accy 1.001 Applicability of rules of conduct to certified public accountants. (1) Chapters Accy 1 to 6 apply to a person who practices as a certified public accountant in this state.

(2) A certified public accountant may be held responsible for compliance with the rules of the board by any person associated with the certified public accountant in a firm who is either under his or her supervision or is a member of the firm.

(3) A certified public accountant shall not permit others to carry out acts on the accountant's behalf, either with or without compensation, which, if carried out by the certified public accountant, would violate chs. Accy 1 to 6.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; correction made under s. 13.93 (2m) (b) 1., Stats., Register, March, 1993, No. 447; CR 03-071: r. and recr. Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: am. Register May 2016 No. 725, eff. 6-1-16.

Accy 1.002 Applicability of rules of conduct to certified public accountants who have a significant influence over a CPA-related business or who advertise as a CPA. (1) A person licensed as a certified public accountant that has significant influence over a CPA-related business is considered to be practicing as a certified public accountant in the CPA-related business and all persons with ownership interest in the business shall follow the rules of the board in the operation of the CPA-related business.

(2) A person who operates a business and is licensed as a certified public accountant and who advertises or otherwise holds out as a certified public accountant shall follow the rules of the board in the operation of any business.

History: Cr. Register, June, 1982, No. 318, eff. 7-1-82; CR 03-071: r. and recr. Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: am. Register May 2016 No. 725, eff. 6-1-16.

Accy 1.003 Definitions. As used in chs. Accy 1 to 6:

(1) "Attest service" means any of the following, if performed or intended to be performed in accordance with the statements incorporated under s. Accy 1.205:

- (a) An audit or any other engagement.
- (b) A review or compilation of a financial statement.
- (c) An examination of prospective financial information.

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

(2m) "Board" means the accounting examining board.

(2r) "Certified public accountant" or "CPA" means a person considered to be in practice as a certified public accountant under s. 442.02, Stats.

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

(4) "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 to express any assurance on the statement.

(5) "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.

(6) "CPA-related business" means a business that performs for clients any of the professional services related to accounting, tax, personal financial planning, or litigation support services or those services for which standards are established relating to audits, compilations and reviews of financial statements and examinations or compilations of prospective financial information.

(7) "Examination of prospective financial information" means an evaluation by a certified 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.

(7m) "Financial statements" means statements and footnotes related thereto that undertake to present an actual or anticipated financial position as of a point in time, or results of operations, cash flow, or changes in financial position for a period of time, in conformity with generally accepted accounting principles or an-

other comprehensive basis of accounting. “Financial statements” does not include incidental financial data included in management advisory service reports to support recommendations to a client; nor does it include tax returns and supporting schedules.

(8) “Firm” means a proprietorship, partnership, limited liability partnership, corporation, service corporation, or limited liability company.

(9) “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.

(10) “Member of a firm” means a director, manager, employee, officer, owner, shareholder, principal, or partner of a firm.

(11) “Person” means any natural person, firm, association, or other legal entity.

(12) “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.

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

(14) “Review” means to perform an inquiry and analytical procedures that permit a certified 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.

(15) “Significant influence” means the ability of an investor to exercise significant influence over operating and financial policies of an investee. The extent of ownership is not conclusive. Direct or indirect ownership of 20% or more of an investee creates a presumption that the investor has significant influence in an investee. Ownership of less than 20% of a CPA-related business creates a presumption that the certified public accountant does not have significant influence in the CPA-related business. An ability to exercise significant influence may be indicated in several ways: representation on the board of directors, participation in policy making processes, material intercompany transactions, interchange of managerial personnel, technological dependency, and the extent of ownership by an investor in relation to the concentration of other shareholdings.

Note: Examples of indications that an investor may be unable to exercise significant influence over the operating and financial policies of an investee include:

(a) Opposition by the investee, such as litigation or complaints to government regulatory authorities, challenges the investor’s ability to exercise significant influence.

(b) The investor and investee sign an agreement under which the investor surrenders significant rights as a shareholder.

(c) Majority ownership of the investee is concentrated among a small group of shareholders who operate the investee without regard to the views of the investor.

(d) The investor needs or wants more financial information to apply the equity method than is available to the investee’s other shareholders, for example, the investor wants quarterly financial information from an investee that publicly reports only annually, tries to obtain that information, and fails.

(e) The investor tries and fails to obtain representation on the investee’s board of directors.

History: CR 03-071: (2) to (5), (7), (9), and (11) to (14) renum. from Accy 1.302 (1) (b) to (k) and am. (2), (4), (7), (11), (13) and (14), cr. (intro.), (1), (6), (8), (10) and (15), Register May 2004 No. 581, eff. 6-1-04; 2013 Wis. Act 210: am. (1) Regis-

ter April 2014 No. 700, eff. 5-1-14; 2015 Wis. Act 217: am. (intro.), cr. (2m), (2r), (7m) Register May 2016 No. 725, eff. 6-1-16.

Subchapter II — Professional Conduct, Integrity, and Objectivity

Accy 1.101 Professional conduct. (1) The board adopts by reference the “Code of Professional Conduct” published by the American Institute of Certified Public Accountants, effective as of December 15, 2014, except that references to “member” are replaced by “a person licensed to practice as a certified public accountant.”

(2) All definitions included in the American Institute of Certified Public Accountants’ Code of Professional Conduct shall apply only within that document.

Note: The AICPA Code of Professional Conduct is available electronically at <http://pub.aicpa.org/codeofconduct/Ethics.aspx> or may be obtained from:

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; cr. (2), Register, December, 1974, No. 228, eff. 1-1-75; cr. (2) (d), Register, February, 1976, No. 242, eff. 4-1-76; cr. (2) (e), Register, January, 1977, No. 253, eff. 3-1-77; r. and recr. (1) and cr. (2) (f), Register, July, 1979, No. 283, eff. 9-1-79; r. and recr. (2) (a), am. (2) (d) 2. intro. and d., cr. (2) (g), Register, July, 1980, No. 295, eff. 8-1-80; corrections made under s. 13.93 (2m) (b) 1. and 5., Stats., Register, March, 1993, No. 447; CR 02-120: r. and recr. Register November 2003 No. 575, eff. 12-1-03; 2013 Wis. Act 210: am. Register April 2014 No. 700, eff. 5-1-14; 2015 Wis. Act 217: r. and recr. Register May 2016 No. 725, eff. 6-1-16.

Accy 1.102 Integrity and objectivity. No person licensed to practice as a certified public accountant may do any of the following:

(1) Knowingly misrepresent facts.

(2) When engaged in the practice of public accounting, including the rendering of tax and management advisory services, subordinate his or her judgment to others.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; corrections made under s. 13.93 (2m) (b) 5., Stats., Register, March 1993, No. 447; CR 03-071: am. Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: renum. to (intro.), (1), (2) and am. Register May 2016 No. 725, eff. 6-1-16.

Subchapter III — Competence and Technical Standards

Accy 1.201 General standards. (1) A person licensed to practice as a certified public accountant shall comply with all of the following general standards as interpreted by bodies designated by the American Institute of Certified Public Accountants Council, and must justify any departures therefrom:

(a) *Professional competence.* A certified public accountant shall undertake only those engagements which the certified public accountant or the firm can reasonably expect to complete with professional competence.

(b) *Due professional care.* A certified public accountant shall exercise due professional care in the performance of an engagement.

(c) *Planning and supervision.* A certified public accountant shall adequately plan and supervise an engagement.

(d) *Sufficient relevant data.* A certified public accountant shall obtain sufficient relative data to afford a reasonable basis for conclusions or recommendations in relation to an engagement.

(e) *Forecasts.* A certified public accountant shall not permit the certified public accountant’s name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the certified public accountant vouches for the achievability of the forecast. This paragraph does not prohibit a certified public accountant from preparing, or assisting a client in the preparation of, forecasts of the results of future transactions. When a certified public accountant’s name is associated

with such forecasts, there shall be the presumption that such data may be used by parties other than the client. Therefore, full disclosure must be made of the sources of the information used and the major assumptions made in the preparation of the statements and analyses, and character of the work performed by the member, and the degree of the responsibility he or she is taking.

(2) Interpretations of s. Accy 1.201, not intended to be all-inclusive, are as follows:

(a) A certified public accountant who accepts a professional engagement implies that he or she has the necessary competence to complete the engagement according to professional standards, applying the certified public accountant's knowledge and skill with reasonable care and diligence, but the certified public accountant does not assume a responsibility for infallibility of knowledge or judgment.

(b) Competence in the practice of public accounting involves both the technical qualifications of the certified public accountant and his or her staff and the ability to supervise and evaluate the quality of the work performed. Competence relates both to knowledge of the profession's standards, techniques and the technical subject matter involved, and to the capability to exercise sound judgment in applying such knowledge to each engagement.

(c) The certified public accountant may have the knowledge required to complete an engagement professionally before undertaking it. In many cases, however, additional research or consultation with others may be necessary during the course of the engagement. This does not ordinarily represent a lack of competence, but rather is a normal part of the professional conduct of an engagement.

(d) However, if a certified public accountant is unable to gain sufficient competence through these means, he or she should suggest, in fairness to the client and the public, the engagement of someone competent to perform the needed service, either independently or as an associate.

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) and am. (2) (a), Register, July, 1979, No. 283, eff. 9-1-79; (1) (e) renum. from Accy 1.204 (2) and am., Register, July, 1980, No. 295, eff. 8-1-80; corrections made under s. 13.93 (2m) (b) 1., Stats., Register, March, 1993, No. 447; CR 03-071: am. (1) (intro.) to (d) and (2) (a) to (d), r. and recr. (1) (e) Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: am. (1) (intro.) Register May 2016 No. 725, eff. 6-1-16.

Accy 1.202 Auditing standards. A person licensed to practice as a certified public accountant shall not permit the certified public accountant's name to be associated with financial statements in such a manner as to imply that the certified public accountant is acting as an independent public accountant unless the certified public accountant has complied with the applicable generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants. Statements on auditing standards used by the American Institute of Certified Public Accountants auditing standards board are, for purposes of this chapter, 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; cr. (2), Register, February, 1976, No. 242, eff. 4-1-76; r. and recr. (1) Register, July, 1979, No. 283, eff. 9-1-79; CR 03-071: renum. (1) to be Accy 1.202 and am., r. (2) Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: am. Register May 2016 No. 725, eff. 6-1-16.

Accy 1.203 Accounting principles. No person licensed to practice as a certified public accountant 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 or she can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases the 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; cr. (2), Register, December, 1974, No. 228, eff. 1-1-75; corrections made under s. 13.93 (2m) (b) 5., Stats., Register, March, 1993, No. 447; CR 03-071: renum. (1) to be Accy 1.203 and am., r. (2) Register May 2004 No. 581, eff. 6-1-04.

Accy 1.204 Other technical standards. A person licensed to practice as a certified public accountant shall comply with other technical standards promulgated by bodies designated by the American Institute of Certified Public Accountants Council to establish such standards, and departures must be justified by those who do not follow them.

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), Register, July, 1979, No. 283, eff. 9-1-79; renum. (2) to be Accy 1.201 (1) (e), Register, July, 1980, No. 295, eff. 8-1-80; CR 03-071: am. Register May 2004 No. 581, eff. 6-1-04.

Accy 1.205 Standards for auditing, accounting and review services, and attestation engagements. The standards of the accounting and auditing profession that certified public accountants in Wisconsin shall use are (1) the Statements on Auditing Standards, the Statements on Standards for Accounting and Review Services, and the Statements on Standards for Attestation Engagements, published as AICPA Professional Standards by the American Institute of Certified Public Accountants, Inc.; and (2) the auditing standards of the Public Company Accounting Oversight Board. All of those Statements and Standards are incorporated by reference into this section.

Note: Copies of the Statements described above may be purchased from the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036-8775.

History: CR 01-133: cr. Register October 2002 No. 562, eff. 11-1-02; CR 03-071: am. Register May 2004 No. 571, eff. 6-1-04; 2013 Wis. Act 210: consol. (intro.) to (3) and renum. Accy 1.205 and am. Register April 2014 No. 700, eff. 5-1-14.

Subchapter IV — Responsibilities to Clients

Accy 1.301 Confidential client information. (1) No person licensed to practice as a certified public accountant 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 the obligations under ss. Accy 1.202 and 1.203.

(b) To affect in any way 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 from responding to an inquiry made by the Professional Ethics Division of the American Institute of Certified Public Accountants, by the duly constituted investigative or disciplinary body of a state society of certified public accountants, or under any state statutes or the standards of the Securities and Exchange Commission or the Public Company Accounting Oversight Board.

(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 pro-

ceedings 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.

(4) The prohibition in sub. (1) against disclosure of confidential information obtained in the course of a professional engagement does not apply to disclosure of such information when required to properly discharge the certified public accountant's responsibility according to the profession's standards. The prohibition would not apply, for example, to disclosure, as required by AU-C section 560 of Statement on Auditing Standards, regarding the subsequent discovery of facts existing at the date of the auditor's report which would have affected the auditor's report had the auditor been aware of such facts.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; cr. (4), Register, December, 1974, No. 228, eff. 1-1-75; corrections made under s. 13.93 (2m) (b) 5., Stats., Register, March, 1993, No. 447; CR 03-071: am. (1), (2) (a), (c), (d) and (3), cons. and renum. (4) (intro.) and (a) to be (4) and am. Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: am. (2) (d), (4) Register May 2016 No. 725, eff. 6-1-16.

Accy 1.302 Contingent fees, commissions and referral fees. (1) CONTINGENT FEES. Except as provided in sub. (2), a certified 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.

(2) CERTAIN CONTINGENT FEES PROHIBITED. No certified 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.

(3) COMMISSIONS. Except as provided in sub. (4), a certified 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.

(4) CERTAIN COMMISSIONS PROHIBITED. No certified 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.

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

(a) The certified public 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 certified public 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.

(6) 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.

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; r. and recr. Register, February, 1990, No. 410, eff. 3-1-90; CR 03-071: r. (1) (intro.) and (a), renum. (1) (b) to (k) to be Accy 1.003 (2) to (14), renum (2) to (7) to be (1) to (6) and am. (1) to (5), Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: am. (1), (3) Register May 2016 No. 725, eff. 6-1-16.

Subchapter V — Other Responsibilities and Practices

Accy 1.401 Acts discreditable. (1) No person licensed to practice as a certified public accountant shall commit an act discreditable to the profession.

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

(a) *Client's records and accountant's workpapers.* A certified public accountant's working papers are the property of the certified public accountant and need not be surrendered to the client. However, in some instances working papers will contain data that should properly be reflected in the client's books and records but that 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 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 is required to return or furnish copies of only those records originally given to the certified public accountant by the client. Examples of working papers that are considered to be the client's records would include all of the following:

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.

(b) *Working papers.* Any working papers developed by the certified 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 may make extensive analyses of inventory or other accounts as part of the selective audit procedures. Even if such analyses have been prepared by client personnel at the request of the certified 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 be required to furnish the details from the working papers in support of the journal entries recording such changes, unless the journal entries themselves contain all necessary details.

(c) *Duty discharged.* Once the certified public accountant has returned the client's records or furnished the copies of such records and necessary supporting data, the obligation has been discharged in this regard and it is not necessary to comply with any subsequent requests to again furnish such records.

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

(e) *Conviction of a crime.* Conviction of a crime the circum-

stances of which substantially relate to the practice of accounting is an act discreditable to the profession in violation of this section. 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 another document that the certified 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 presentation of a false or fraudulent income tax return of a client, or for 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 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.

(f) *Notification of convictions.* A certified public accountant shall notify the board in writing within 48 hours after being convicted of a crime.

(g) *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 profession. The amount or rate of charge for services is a contractual matter between the certified 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.

(h) *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 this section.

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; am. (2) (d), renum. (2) (e) to be Accy 1.402 (2) (e), Register, June, 1982, No. 318, eff. 7-1-82; cr. (2) (bm), Register, April, 1985, No. 352, 5-1-85; CR 03-071: am. (1), (2) (intro.) and (a) (intro.), cons. and renum. (2) (am) (intro.) and 1. to be (2) (b) and am., renum. (2) (an) to (d) to be (2) (c) to (h) and am. (2) (c) to (g) Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: am. (1), (2) (a) (intro.), (c), (e) 2., cr. (2) (f) (title), am. (2) (f) Register May 2016 No. 725, eff. 6-1-16.

Accy 1.402 Advertising or other forms of solicitation. No certified public accountant may advertise or solicit a client in a manner that is false, fraudulent, misleading or deceptive.

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 Accy 1.502 and am. (2) (intro.), Register, July, 1980, No. 295, eff. 8-1-80; am. (1) and (2) (c), (2) (e) renum. from Accy 1.401 (2) (e), Register, June, 1982,

No. 318, eff. 7-1-82; r. and recr. Register, April, 1986, No. 364, eff. 5-1-86; CR 03-071: am. Register May 2004 No. 581, eff. 6-1-04.

Accy 1.404 Incompatible occupations. (1) A person who is engaged in practice as a certified public accountant shall not concurrently engage in any business or occupation that 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 responsibilities under the Wisconsin rules of conduct would constitute involvement in an incompatible occupation prohibited by sub. (1).

(b) The proscription in sub. (1) applies to any business or occupation which:

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

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

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

(c) A conflict of interest exists when a certified public accountant or firm of such persons who are licensed to practice in Wisconsin becomes associated with or employed by a nonlicensed individual or firm offering accounting, tax, or consulting services, such as those customarily provided by certified public accountants, in a manner and with representation or implication that third parties could interpret or conclude that attest services are performed or offered by both the nonlicensed individual or firm and the certified public accountant. A conflict of interest also exists if the services of the licensed certified public accountant or firm of such persons can be influenced or decisions altered by the noncertified associate or employer.

(d) A conflict of interest exists when a certified public accountant who is not licensed permits his or her status as a certified public accountant to be used or publicized in a manner or situation that third parties could assume or conclude that attest services are being performed or offered by or through nonlicensed individuals or firms.

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 Accy 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; cr. (2) (c) and (d), Register, June, 1982, No. 318, eff. 7-1-82; am. (2) (b) 1., Register, April, 1985, No. 352, eff. 5-1-85; CR 03-071: am. (1) and (2) (a) to (d) Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: am. (1) Register May 2016 No. 725, eff. 6-1-16.

Accy 1.405 Firm Names. (1) An individual or firm may practice as a certified public accountant in any form of business organization permitted by state law. No person licensed to practice as a certified public accountant may practice under a firm name that is misleading as to the type of organization. A misleading CPA firm name is any of the following:

(a) A name that contains any representation that would be likely to cause a reasonable person to misunderstand or be confused about the legal form of the firm, or about who the owners or members of the firm are, such as a reference to a type of organization or an abbreviation thereof that does not accurately reflect the form under which the firm is organized, including any of the following:

1. A name that implies the existence of a corporation when the firm is not a corporation, such as through the use of the words

“corporation,” “incorporated,” “Ltd.,” “professional corporation,” or an abbreviation thereof as part of the firm name if the firm is not incorporated or is not a professional corporation.

2. A name that implies the existence of a partnership when there is not a partnership, such as by use of the term “partnership” or “limited liability partnership” or the abbreviation “LLP” if the firm is not such an entity.

3. A name that includes the name of an individual who is not a CPA if the title “CPAs” is included in the firm name.

4. A name that includes information about or indicates an association with persons who are not members of the firm, except as provided in subs. (3) and (4).

5. A name that includes the terms “& Company,” “& Associate,” or “Group,” if the firm does not include, in addition to the named partner, shareholder, owner, or member, at least one other unnamed partner, shareholder, owner, member, or staff employee.

(b) A name that contains any representation that would be likely to cause a reasonable person to have a false or unjustified expectation of favorable results or capabilities, through the use of a false or unjustified statement of fact as to any material matter.

(c) A name that claims or implies the ability to influence a regulatory body or official.

(d) A name that includes the name of an owner whose license has been revoked for disciplinary reasons by the board, whereby the licensee has been prohibited from practicing public accountancy or prohibited from using the title CPA or holding himself or herself out as a certified public accountant.

(2) Any of the following is a permissible type of CPA firm name if it does not otherwise violate this subchapter:

(a) A firm name that includes the names of one or more former or present owners.

(b) A firm name that excludes the names of one or more former or present owners.

(c) A firm name that uses the CPA title as part of the firm name when all named individuals are owners of the firm who hold such title or are former owners who held such title at the time they ceased to be owners of the firm.

(d) A firm name that includes the name of a non-CPA owner if the CPA title is not a part of the firm name.

(3) A network firm may use a common brand name or share common initials as part of the firm name.

(4) A network firm may use the network name as the firm’s name, provided that it also shares one or more of the following characteristics with other firms in the network:

(a) Common control, as defined by generally accepted accounting principles in the U.S., among the firms through ownership, management, or other means.

(b) Profits or costs, excluding costs of operating the association, costs developing audit methodologies, manuals and training courses, and other costs that are immaterial to the firm.

(c) A common business strategy that involves ongoing collaboration among the firms whereby the firms are responsible for implementing the association’s strategy and are held accountable for performance pursuant to that strategy.

(d) A significant part of professional resources.

(e) Common quality control policies and procedures that par-

ticipating firms are required to implement and that are monitored by the association.

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 Accy 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; am. (3) (a), Register, June, 1982, No. 318, eff. 7-1-82; am. (2), Register, July, 1983, No. 331, eff. 8-1-83; am. (1) (intro.) and (a), Register, January, 1985, No. 349, eff. 2-1-85; r. (1) (b), Register, February, 1990, No. 410, eff. 3-1-90; am. (1) (a), Register, February, 1992, No. 434, eff. 3-1-92; r. and recr. (1) (intro.), Register, May, 1994, No. 461, eff. 6-4-94; CR 03-071: cons. and renum. (1) (intro.), (a) to be (1) and (3) (intro.), (a) to be (3) and am., r. (1) (c), am. (2) Register May 2004 No. 581, eff. 6-1-04; 2015 Wis. Act 217: r. and recr. Register May 2016 No. 725, eff. 6-1-16.

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

History: Cr. Register, June, 1974, No. 222, eff. 7-1-74; renum. from Accy 1.506, Register, July, 1980, No. 295, eff. 8-1-80; CR 03-071: am. Register May 2004 No. 581, eff. 6-1-04.

Accy 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 Accy 1.507, Register, July, 1980, No. 295, eff. 8-1-80.

Accy 1.408 Ownership requirements. (1) In this section “ownership interest” means any equity or voting interest in a firm.

(2) An applicant for a license as a certified public accounting firm shall demonstrate that more than 50% of the ownership interest of the firm is held by individuals who hold certificates or licenses to practice as a certified public accountant issued under the laws of any state or foreign country.

(3) A firm applying for licensure meets the ownership requirement under sub. (2) in the following circumstances:

(a) If the applicant is a sole proprietorship and the owner holds a certificate and license to practice as a certified public accountant issued under the laws of this state.

(b) If the applicant is organized as a service corporation and more than 50% of the voting rights are held by individuals who are certified public accountants.

(c) If the applicant is organized as a business corporation and more than 50% of the voting rights are held by individuals who are certified public accountants.

(d) If the applicant is organized as a partnership or limited liability partnership and more than 50% of the voting rights are held by individuals who are certified public accountants.

(e) If the applicant is organized as a limited liability company and more than 50% of the voting rights are held by individuals who are certified public accountants.

(4) An applicant firm with ownership characteristics other than those identified in sub. (3) may submit information about the ownership interests of all members of the firm to the board. The board may determine that more than 50% of the ownership interest of the firm is held by individuals who hold certificates or licenses to practice as a certified public accountant. In making this determination the board shall consider whether ownership interest of all members of the firm results in control and management of the firm by individuals who hold certificates or licenses to practice as a certified public accountant.

History: CR 02-052: cr. Register December 2002 No. 564, eff. 1-1-03.