

## Featured Headline



### Top 10 Ethical Inquires of 2015

As 2015 draws to a close, staff thought it would be a good time to look back and see what questions were plaguing the profession. According to the AICPA's Ethics Hotline, the following topics are most often asked about.

1. **What information do I have to give to my client?**  
The "[Records Requests](#)" interpretation [ET 1.400.200] outlines what information you have to give to your clients and former clients and what information you don't have to provide. It is important that you consult with your applicable state board to see if their requirements differ. Also available are [nonauthoritative questions and answers](#) specific to electronic records.
2. **Do I have a conflict of interest?**  
The "[Conflicts of Interest for Members in Public Practice](#)" interpretation [ET 1.110.010] explains that a conflict of interest exists when either (1) the member or the member's firm provides a professional service related to a particular matter involving two or more clients whose interests with respect to that matter are in conflict, or (2) the interests of the member or the member's firm with respect to a particular matter and the interests of the client for whom the member or the member's firm provides a professional service related to that matter are in conflict. The interpretation also contains examples of typical conflicts of interest that are encountered, as well as guidance regarding the identification, evaluation and disclosure of conflicts of interest. The [Conflicts of Interest for Members in Business](#) interpretation [2.110.010] provides similar guidance for members in business.
3. **I've come across a situation that I think might impair my independence but I can't find anything on point in the code. What do I do?**  
Consult the "[Conceptual Framework for Independence](#)" [ET 1.210.010]. A nonauthoritative [toolkit](#) is available to assist with applying this framework. Separate [toolkits](#) are also available to assist with implementing the other two conceptual frameworks.

## December 2015

### International Update



[Agenda materials](#) for the November/December 2015 IESBA meeting in New York are available on the IESBA's website and a summary of the key discussions and minutes will also be available shortly on the website.

Some of the key topics discussed during this meeting include the following:

- Structure of the Code
- Long Association
- Part C - Professional Accountants in Business (preparation and presentation of information (320) and Pressure to breach the fundamental principles (370)
- Safeguards Project
- NOCLAR

## Other Headlines

### Ethical Tax Standards

The recent webcast "Tax Ethics - A Comprehensive Review for CPAs in Practice" drew an audience of nearly 1,200 and generated hundreds of questions. Speaker Kip Dellinger provided an overview of the authoritative guidance CPAs are bound by when providing tax services, followed with a detailed discussion on due diligence issues applicable to the CPA,

4. **My client would like me to provide services in addition to the attest services I already provide. Will this present an independence problem?**

Before providing any nonattest services to an attest client you should consult these interpretations: "Scope and Applicability of Nonattest Services" [ET [1.295.010](#)], "Cumulative Effect on Independence When Providing Multiple Nonattest Services" [ET [1.295.020](#)], "Management Responsibilities" [[1.295.030](#)], General Requirements for Performing Nonattest Services [[1.295.040](#)], and Documentation Requirements When Providing Nonattest Services [[1.295.050](#)]. These interpretations will help you understand the overarching guidance when providing nonattest services. In addition to these, there are various interpretations in the "[Nonattest Services](#)" [subtopic](#) that address specific types of nonattest services.

5. **What are the independence issues if I provide bookkeeping, payroll or disbursement services to an attest client?**

The primary issues you may encounter when providing bookkeeping, payroll and disbursement services to an attest client are the self-review and management participation threats. The "[Bookkeeping, Payroll, and Other Disbursements](#)" [interpretation](#) [ET 1.295.120] provides examples of these services that would not typically impair independence as well as examples of services that would impair independence. Also available are [nonauthoritative questions and answers](#) about bookkeeping services.

6. **Do I need to be independent of any entities that have relationships with my attest client?**

The "[Client Affiliates](#)" [interpretation](#) [ET 1.224.010] and [affiliate definition](#) [ET 0.400.02] and the "[Entities Included in State and Local Government Financial Statements](#)" [interpretation](#) [ET 1.224.020] outline which entities you must apply the independence rule and interpretations. A nonauthoritative [FAQ document](#) is available to assist with applying the independence rule and interpretations to affiliates of employee benefit plans.

7. **My family member has a relationship with an attest client, is my independence impaired?**

The "[Close Relatives](#)" [interpretation](#) [ET 1.270.100] outlines it all for you. Close relatives are defined as parents, siblings and nondependent children. In addition, there is a nonauthoritative whitepaper, "[Independence Rules Modernization Project](#)," that provides some discussion about changes made to the independence provisions that are applicable to close relatives.

8. **Can I use an employee from my attest client to help prepare tax returns during the tax season?**

Unfortunately, if you do, your firm's independence would be impaired under the "[Simultaneous Employment or Association with an Attest Client](#)" [interpretation](#) [ET 1.275.005]. In addition, if a professional employee of the firm were to also be employed or associated with an attest client, the firm's independence would be impaired.

9. **How do I file a complaint?**

All letters of complaint should be mailed to: AICPA, [220 Leigh Farm Road, Durham, NC 27707](#), Attn: Professional Ethics Division. Consult the Division's [Enforcement](#) page for details regarding the enforcement process.

10. **I'm taking the ethics exam and have a question, can I ask you?**

The AICPA Professional Ethics Division does not facilitate the ethics exam but any questions can be addressed by the member services department. The member services department can be reached at [service@aicpa.org](mailto:service@aicpa.org) or by calling [888-777-7077](tel:888-777-7077) option 1.

staff and the client. Tax preparer responsibilities for taxpayer's representations and evidence are addressed in Circular 230, Sec. 10.34(d), SSTS No. 3 and Treasury Reg. Sec. 1.6694-1(e). While similar in wording and intent the tax practitioner may not turn a blind eye if they have reason to believe additional questions should be asked to get to the correct answer. Proper due diligence does not end when a client provides an answer.

The discussion around due diligence centered on the following questions:

- What would a reasonable person do?
- Were the pertinent facts identified?
- Did the preparer reasonably apply the law to the facts?
- Was there appropriate documentation?
- What QC practices exist in the tax practitioner's office to ensure against error?

Attendee questions ranged from best practices for substantiation of tax return expenses to highly subjective situational matters. While no two client matters are likely to be the same, guidance does exist in the [AICPA Statements on Standards for Tax Services \(SSTs\)](#) as well as the accompanying interpretations and FAQs. In addition, the tools available to members on the Tax Ethics & Professional Standards website of the AICPA provide a wealth of information and practical tools to help tax practitioners navigate ethical situations.

Mr. Dellinger also suggested that all tax practitioners read "[Tax Return Due Diligence: Basic Considerations](#)" by Douglas J. Milford, CPA, J.D.,

### Obligations Related to Client Files - Transfer, Sale, Discontinuance or Acquisition of a Practice

The committee exposed for comment [new and revised interpretations](#) that provide guidance related to a member's obligations concerning the confidentiality and return of client files when the member either transfers, sells, or discontinues his or her practice or the member acquires a practice.

The committee believes that when a member discontinues, sells or transfers all or part of their practice and the member no longer retains ownership in or control of the practice, the member should take certain steps to notify his or her clients and maintain the confidentiality of any client files the member possesses.

With regard to a member who acquires all or part of a practice from another person or firm, the committee is proposing that the member should be satisfied that all clients of the predecessor firm subject to the acquisition have been notified of the acquisition and have consented to the member's continuation of professional services and retention of any client files or records that the successor firm plans to retain.

Comments are requested by May 16, 2015.

### Disclosure of Commissions and Referral Fees

The committee exposed for comment a [new interpretation](#) that would require the disclosure of permitted commissions and referral fees to be in writing. While the rule currently requires disclosure, it does not specify the type of disclosure required and therefore, verbal disclosure is currently permitted.

As part of its efforts to facilitate adoption of the AICPA code by state boards of accountancy, the committee has compared the code to the rules and regulations of state boards of accountancy to identify significant differences that may exist. One such difference noted during this review relates to the disclosure of permitted commissions and referral fees. Specifically, a significant number of state boards require such disclosures be written; some state boards also identify specific information that should be included in the written disclosure. Though the committee believes that requiring specific information to be included in the disclosure is unnecessary, committee members did agree that there was merit in requiring that the disclosure be in writing. In addition to aligning the code to be consistent with the disclosure requirements of a number of state boards' rules, the committee believes written disclosure of commission and referral fee arrangements will enhance transparency and provide the client with an opportunity to further inquire about the specifics of the fee arrangement. Members would be expected to use their professional judgment in determining whether specific information regarding the fee arrangement should be included in the written disclosure.

Comments are requested by May 16 2015.

### On The Horizon

The Professional Ethics Executive Committee has a number of active standard setting projects. These projects are as follows:

- Clarify the definition of the terms "client" and "attest client."
- Identify any updates necessary to the nonattest services subtopic in light of current information technology (including cloud) service offerings by members.
- Determine whether the "Entities Included In State and Local

and J. Edward Swails, CPA, J.D., from the October 2010 issue of The Tax Adviser.

To view the webcast, contact Cari Weston, Director - Taxation [cweston@aicpa.org](mailto:cweston@aicpa.org).

### Other Resources

If you are looking for a self-study ethics-related CPE course, consider one of the following:

- [Professional Ethics for CPAs in Business](#)
- [Business Ethics - Real-World Business Ethics: How Will You React?](#)
- [Professional Ethics: AICPA's Comprehensive Course](#)

The [Ethics Division website](#) is updated regularly. Information regarding the activities of PEEC can be found under "[Community](#)," and numerous tools and aids issued by the division or others can be found under "[Resources](#)." Articles, past copies of this newsletter, recently issued division documents, and disciplinary reports can be found under "[News and Publications](#)."

### Future Meetings

The next PEEC meetings will be held on the following dates:

- February 4-5, 2016 (New Orleans)
- May 5-6, 2016 (Durham)

Interested parties are encouraged to attend the open meetings in person. Furthermore, the Professional Ethics Division maintains an open phone line so that interested parties can listen to PEEC's public meetings via telephone. Anyone interested in attending a meeting in person or via conference call should contact [egoria@aicpa.org](mailto:egoria@aicpa.org).

If you have additional questions, contact Ellen Goria, CPA, CGMA at

Government Financial Statements" interpretation [1.224.020] should (1) incorporate the threats and safeguard approach; (2) clarify who at the firm and which immediate family members the interpretation should extend to; (3) contain any exceptions and also whether the final guidance should be extended to the federal government environment.

[egoria@aicpa.org](mailto:egoria@aicpa.org)

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American Institute of Certified Public Accountants, [220 Leigh Farm Road, Durham, NC 27707-8110](#)

