



The North Carolina Association of Certified Public Accountants Proudly Presents:

Professional Ethics & Conduct



NCACPA Statement of Policy Relating to NCACPA-Sponsored Courses, Conferences, and Workshops

This manual has been prepared for use in connection with a program sponsored by the North Carolina Association of Certified Public Accountants. The material herein is intended to supplement this program and provide a basis for further discussion. The opinions, views, and articles expressed in this manual or furnished in this program are not necessarily those of the North Carolina Association of Certified Public Accountants and should not be deemed an endorsement by the association, its committees, or editorial staff. Because of the complexity of tax laws, accounting transactions, and the changing status of the law, as well as variations in practices and procedures among accountants, information in this manual or expressed at conferences, courses, or workshops should not be acted upon, used, or relied upon as a substitute for independent accounting, legal research, or advice. All printed and electronic materials provided as part of this NCACPA-sponsored event are for use by registered participants and are not to be reprinted or distributed to other individuals. Recording of NCACPA-sponsored seminars, conferences, or any event is prohibited without the prior express written consent of NCACPA.

Claiming CPE Credit

This program is designed and administered to qualify for credit toward the North Carolina State Board of CPA Examiners' continuing professional education requirement. Each CPA may claim credit for only the actual classroom hours he/she personally attends. CPE programs are measured by program length, with one 50-minute period equaling one CPE credit hour. Half-hour credits will be accepted for CPE after the first full hour of credit is earned, calculated in 25- and 50-minute increments. Participants must round **down** to the nearest half-hour. Refer to the NC State Board of CPA Examiners for questions regarding CPE regulations.

Annual Ethics Requirement

As part of the annual CPE requirement, all active CPAs shall complete CPE on professional ethics and conduct. They shall complete either two hours in a group study format or a self-study format, which must be taught by a registered sponsor of NASBA. Guidelines on courses that satisfy the requirement can be obtained on the board's website: www.nccpaboard.gov. If you have any questions, please contact Robert N. Brooks, Executive Director, at 919-733-1425 or BobBrooks@nccpaboard.gov.

Non-Resident North Carolina Certificate Holders

Non-resident North Carolina certificate holders may satisfy the two-hour professional ethics requirement by completing the ethics requirement in the state jurisdiction in which he/she is licensed and works or resides. To qualify for non-resident status, the North Carolina CPA may not live in or maintain an office in the state of North Carolina. If professional ethics courses are not required in the jurisdiction in which the NC CPA is licensed and works or resides, they must annually complete a two-hour group study or a self-study format, which must be taught by a registered sponsor of NASBA.

Cell Phones

We have had numerous complaints concerning the sounds from cell phones during seminars. Please be considerate of others:

1. Only use phones outside the meeting rooms.
2. Set phones to "silent."



NCACPA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.learningmarket.org.



Professional Ethics & Conduct

This course fulfills the State Board's annual two-hour ethics CPE requirement.

Cal Christian, PhD, CPA
College of Business
East Carolina University
Greenville, NC

William Hunter Cook, CPA
Charlotte, NC

Melissa Critcher, CPA, PC
Waxhaw, NC

©2018 NCACPA

All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, without the prior written permission of the publisher. For permission requests, write to the publisher, Amelia Hodges at ahodges@ncacpa.org or at (919) 469-1040 ext.128.

North Carolina Association of CPAs
www.ncacpa.org

Professional Ethics & Conduct

Table of Contents

North Carolina State Board of CPA Examiners Rules	
Subchapter 08G – Continuing Professional Education (CPE).....	3
Subchapter 08I – Revocation of Certificates and Other Disciplinary Actions.....	9
Subchapter 08J – Renewals and Registrations.....	11
Subchapter 08N – Professional Ethics and Conduct.....	15
Course Presentation.....	29

Speaker Biographies

Cal Christian, CPA, PhD, is a Professor of Accounting at East Carolina University teaching Intermediate I Accounting, International Accounting, and Accounting for Decision Makers. He is a registered CPA in the states of North Carolina and Mississippi, and has over 10 years of experience in both the public accounting profession with the former international accounting firm of Ernst & Whinney in Houston, TX, and Jackson, MS, and in industry with LDDS (the predecessor to WorldCom) and the Mississippi law firm of Holcomb, Dunbar. Cal has his PhD from Florida State University and his BAccy from the University of Mississippi.

Cal teaches continuing education classes for the North Carolina Association of CPAs (NCACPA), AICPA, CPA firms, and publicly traded companies—and has been recognized as an NCACPA Outstanding Chapter Speaker, NCACPA Outstanding Conference Speaker, and an NCACPA Outstanding Discussion Leader. ECU has also honored Cal by recognizing him as a College of Business Fellow and he has been awarded the UNC Board of Governor's Outstanding Teaching Award and The College of Business ECU Scholar/Teacher. Cal also has several service responsibilities with ECU including serving as the Chair of the University Athletic Committee, The Faculty Athletic Representative, and an ECU Faculty Senator along with other committee responsibilities. Cal has been involved within the CPA profession as a NCACPA Board Member and within the Greenville Community as President of the Eastern NC Ronald McDonald House.

William Hunter Cook, CPA, recently retired as a partner from Dixon Hughes Goodman LLP, where for the last three years he was part of the firm's Professional Standards Group and a member of the AICPA's Auditing Standards Board. During his 19-year career at DHG he served as an office managing partner, member of the executive committee, and leader of the firm's Manufacturing/Distribution Industry Group. Prior to joining DHG, Hunter taught accounting and auditing at Wake Forest University for one year. He started his public accounting career with Ernst & Young in Greenville, SC, and transferred to Charlotte in 1983. Hunter is a past Chair of NCACPA and currently is a member of the NC State Board of CPA Examiners.

Melissa Critcher, CPA, has extensive experience in auditing and accounting, with a specialization in employee benefit plans. She has been providing auditors with the fundamentals and techniques necessary to properly audit defined contribution and defined benefit plans for more than 17 years. Her ability to translate the complex regulatory requirements related to benefit plan auditing has assisted auditors in their planning, fieldwork, and financial statement preparation throughout the audit process.

Subchapter 08G—Continuing Professional Education (CPE)

Section .0400 – CPE Requirements

08G .0401 CPE Requirements for CPAs

(a) In order for a CPA to receive CPE credit for a course:

- (1) the CPA shall attend or complete the course and receive a certificate of completion as set forth in Rule .0403(c)(13) of this Section;
- (2) the course shall meet the requirements set out in Rule .0404(a) and (c) of this Section; and
- (3) the course shall increase the professional competency of the CPA.

(b) A course that increases the professional competency of a CPA shall be a course in an area of accounting in which the CPA practices or is planning to practice in the future, in the area of professional ethics, or an area of the profession.

(c) Because of differences in the education and experience of CPAs, a course may contribute to the professional competence of one CPA but not another. Each CPA shall therefore exercise judgment in selecting courses for which CPE credit is claimed and choose only those that contribute to that CPA's professional competence.

(d) Active CPAs shall complete 40 CPE hours, computed in accordance with Rule .0409 of this Section by December 31 of each year, except as follows:

- (1) CPAs having certificate applications approved by the Board in April-June shall complete 30 CPE hours during the same calendar year;
- (2) CPAs having certificate applications approved by the Board in July-September shall complete 20 CPE hours during the same calendar year; or
- (3) CPAs having certificate applications approved by the Board in October-December shall complete 10 CPE hours during the same calendar year.

(e) There shall be no CPE requirements for inactive CPAs.

(f) Any CPE hours completed during the calendar year in which the certificate is approved may be used for that year's requirement even if the hours were completed before the certificate was granted. When a CPA has completed more than the required number of hours of CPE in any one calendar year, the extra hours, not in excess of 20 hours, shall be carried forward and treated as hours earned in the following year. Ethics CPE hours may not be included in any carry forward hours. A CPA shall not claim CPE credit for courses taken in any year prior to the year of certification.

(g) Any CPE hours used to satisfy the requirements for change of status as set forth in 21 NCAC 08J .0105, for reissuance as set forth in 21 NCAC 08J .0106 or for application for a new certificate as set forth in Rule 08I .0104 of this Chapter may be used to satisfy the annual CPE requirement set forth in Paragraph (d) of this Rule.

(h) It shall be the CPA's responsibility to maintain records substantiating the CPE credits claimed for the current year and for each of the four calendar years prior to the current year.

(i) A non-resident licensee may satisfy the annual CPE requirements including this Rule in the jurisdiction in which he or she is licensed and currently works or resides. If there is no annual CPE requirement in the jurisdiction in which he or she is licensed and currently works or resides, he or she shall comply with Paragraph (d) of this Rule.

08G .0403 Qualification of CPE Sponsors

(a) The Board shall not register either sponsors of CPE courses or CPE courses.

(b) Sponsors of continuing education programs that are listed in good standing on the NASBA National Registry of CPE Sponsors shall be considered by the Board as compliant with the CPE requirements of Paragraph (c) of this Rule.

(c) CPE providers not in good standing on the NASBA National Registry of CPE Sponsors shall meet the following requirements:

(1) have an individual who did not prepare the course review each course to be sure it meets the standards for CPE;

(2) state the following in every brochure or other publication or announcement concerning a course:

(A) the general content of the course and the specific knowledge or skill taught in the course;

(B) any prerequisites for the course and any advance preparation required for the course and if none, that shall be stated;

(C) the level of the course, such as basic, intermediate, or advanced;

(D) the teaching methods to be used in the course;

(E) the amount of sponsor recommended CPE credit a CPA who takes the course may claim; and

(F) the date the course is offered, if the course is offered only on a certain date, and, if applicable, the location;

(3) ensure that the instructors or presenters of the course are qualified to teach the subject matter of the course and to apply the instructional techniques used in the course;

(4) evaluate the performance of an instructor or presenter of a course to determine whether the instructor or presenter is suited to serve as an instructor or presenter in the future as follows:

(A) before the course's conclusion, provide for the attendees an opportunity to evaluate the quality of the course by questionnaires, oral feedback, or other means, in order to determine whether the course's objectives have been met, its prerequisites were necessary, the facilities used were satisfactory, and the course content was appropriate for the level of the course; and

(B) systematically review the evaluation process to ensure its effectiveness;

(5) encourage participation in a course only by those who have the education and experience for the level of the course;

(6) distribute course materials to participants;

(7) use physical facilities for conducting the course that are consistent with the instructional techniques used;

(8) assign the number of CPE credits each participant may be eligible to receive by either:

(A) monitoring attendance at a group course; or

(B) testing in order to determine if the participant has learned the material presented;

(9) inform instructors and presenters of the results of the evaluation of their performances;

(10) retain for five years from the date of the course presentation or completion:

(A) a record of participants completing course credit requirements;

(B) an outline of the course;

(C) the date and location of presentation;

(D) the participant evaluations or summaries of evaluations;

(E) the documentation of the instructor's qualifications; and

(F) the number of contact hours recommended for each participant;

(11) have a visible, continuous, and identifiable contact person who is charged with the administration of the sponsor's CPE programs that has the responsibility and shall be accountable for assuring and demonstrating compliance with this Rule by the sponsor or by any other organization working with the sponsor for the development, distribution, or presentation of CPE courses;

(12) develop and promulgate policies and procedures for the management of grievances including tuition and fee refunds; and

(13) provide persons completing course requirements with written proof of completion indicating the participant's name, the name of the course, the date the course was held or completed, the sponsor's name and address, and the number of CPE hours calculated and recommended in accordance with Rule .0409 of this Section.

(d) Failure of a National Registry of CPE Sponsor to comply with the terms of this Rule shall be grounds for the Board to disqualify the sponsor as a CPE sponsor with this Board and to notify NASBA and the public of this action.

08G .0404 Requirements for CPE Credit

(a) A CPA shall not be granted CPE credit for a course unless the course:

(1) is in one of the seven fields of study recognized by the Board and set forth in Paragraph (b) of this Rule;

(2) is developed by an individual who has education and work experience in the subject matter of the course; and

(3) uses instructional techniques and materials that are current and accurate as set forth by Rule .0403 of this Section.

(b) The seven fields of study recognized by the Board are:

(1) Accounting and Auditing

(A) Accountancy

(B) Accounting – Governmental

(C) Auditing

(D) Auditing – Governmental

(2) Consulting Services

(A) Administrative Practice

(B) Social Environment of Business

(3) Ethics

(A) Behavioral Ethics

(B) Regulatory Ethics

(4) Management

(A) Business Law

(B) Business Management and Organization

(C) Finance

(D) Management Advisory Services

(E) Marketing

(5) Personal Development

(A) Communications

(B) Personal Development

(C) Personnel/HR

(6) Special Knowledge and Applications

(A) Computer Science

(B) Economics

(C) Mathematics

(D) Production

(E) Specialized Knowledge and Applications

(F) Statistics

(7) Tax

(c) The following may qualify as acceptable types of continuing education programs, provided the programs comply with the requirements set forth in Paragraph (a) of this Rule:

(1) professional development programs of national and state accounting organizations;

- (2) technical sessions at meetings of national and state accounting organizations and their chapters;
- (3) courses taken at regionally accredited colleges and universities;
- (4) educational programs that are designed and intended for continuing professional education activity conducted within an association of accounting firms; or
- (5) correspondence courses that are designed and intended for continuing professional education activity.

(d) CPE credit may be granted for teaching a CPE course or authoring a publication as long as the preparation to teach or write increased the CPA's professional competency and was in one of the seven fields of study recognized by the Board and set forth in Paragraph (b) of this Rule.

(e) CPE credit shall not be granted for a self-study course if the material that the CPA must study to take the examination is not designed for CPE purposes. This includes periodicals, guides, magazines, subscription services, books, reference manuals and supplements that contain an examination to test the comprehension of the material read.

(f) A CPA may claim credit for a course offered by a non-registered sponsor provided that the course meets the requirements of this Rule and Rules .0403(c), and .0409 of this Section. The CPA shall maintain documentation proving that the course met these standards.

08G .0405 Administration of Requirement

Forms for reporting CPE hours will be furnished by the Board. The Board may audit on a test basis information submitted by licensees who may apply for a renewal license.

08G .0406 Compliance with CPE Requirements

- (a) All active CPAs shall file with the Board a completed CPE reporting form by the July 1 renewal date of each year.
- (b) If a CPA fails to complete the CPE requirements prior to the end of the previous calendar year but the CPA has completed them by June 30, the Board may:

- (1) issue a letter of warning for the first such failure within a five calendar year period; and
- (2) deny the renewal of the CPA's certificate for a period of not less than 30 days and until the CPA meets the reinstatement requirements set forth in 21 NCAC 08J .0106 for the second such failure within a five calendar year period.

08G .0409 Computation of CPE Credits

(a) Group Courses: Non-College. CPE credit for a group course that is not part of a college curriculum shall be given based on contact hours. A contact hour shall be 50 minutes of instruction and one-half contact hour shall be equal to 25 minutes of instruction. For example, a group course lasting 100 minutes shall be two contact hours equaling two CPE credits. A group course lasting 75 minutes shall be one and one-half contact hours equaling one and one-half CPE credits. A group course lasting 25 minutes shall be one-half contact hour and equal to one-half CPE credit. When individual segments of a group course are less than 50 minutes, the sum of the individual segments shall be added to determine the number of contact hours. For example, five 30-minute presentations shall be 150 minutes, which shall be three contact hours and three CPE credits. No credit shall be allowed for a segment unless the participant completes the entire segment. Internet based programs shall employ a monitoring mechanism to verify that participants are participating during the duration of the course. No credit shall be allowed for a group course having fewer than 25 minutes of course instruction.

(b) Completing a College Course. CPE credit for completing a college course in the college curriculum shall be granted based on the number of credit hours the college gives the CPA for completing the course. One semester hour of college

credit shall be 15 CPE credits; one quarter hour of college credit shall be 10 CPE credits; and one continuing education unit shall be 10 CPE credits. No CPE credit shall be given to a CPA who audits a college course.

(c) Self Study. CPE credit for a self-study course shall be given based on the average number of contact hours needed to complete the course. The average completion time shall be allowed for CPE credit. A sponsor shall determine on the basis of pre-tests or NASBA word count formula the average number of contact hours of course material it takes to complete a course. A contact hour shall be 50 minutes and one-half contact hour shall be 25 minutes of course material. No self-study course may contain fewer than 25 minutes of course material.

(d) Instructing a CPE Course. CPE credit for teaching or presenting a CPE course for CPAs shall be given based on the number of contact hours spent in preparing and presenting the course. No more than 50 percent of the CPE credits required for a year shall be credits for preparing for and presenting CPE courses. CPE credit for preparing or presenting a course shall be allowed only once a year for a course presented more than once in the same year by the same CPA.

(e) Authoring a Publication. CPE credit for published articles and books shall be given based on the number of contact hours the CPA spent writing the article or book. No more than 25 percent of a CPA's required CPE credits for a year shall be credits for published articles or books. An article written for a CPA's client or business newsletter shall not receive CPE credit.

(f) Instructing a Graduate Level College Course. CPE credit for instructing a graduate level college course shall be given based on the number of credit hours the college gives a student for successfully completing the course, using the calculation set forth in Paragraph (b) of this Rule. Credit shall not be given for instructing a course in which there is credit given towards an undergraduate degree.

(g) No more than 50 percent of the CPE credits required for a year shall be credits claimed under Paragraph (d) and (f) of this Rule.

08G .0410 Professional Ethics and Conduct CPE

(a) As part of the annual CPE requirement, all active CPAs shall complete CPE on professional ethics and conduct. The CPA shall complete two contact hours in either a group study format or in a self-study format of a course on regulatory or behavioral professional ethics and conduct. This CPE shall be offered by a CPE sponsor registered with NASBA pursuant to Rule .0403(b) of this Section.

(b) A non-resident licensee whose primary office is in North Carolina shall comply with Paragraph (a) of this Rule. All other non-resident licensees may satisfy Paragraph (a) of this Rule by completing the ethics requirements in the jurisdiction in which he or she is licensed as a CPA and works or resides. If there is no ethics CPE requirement in the jurisdiction where he or she is licensed and currently works or resides, he or she shall comply with Paragraph (a) of this Rule.

Subchapter 08I—Revocation of Certificates and Other Disciplinary Actions

Section .0100 – General Provisions

08I .0101 Disciplinary Action

(a) Any person may file a complaint with the Board against a CPA, pursuant to G.S. 150B, Article 3A for disciplinary action against a CPA for violations of G.S. 93 and this Chapter on forms provided by the Board that are on the Board's website at www.nccpaboard.gov and may be requested from the Board.

(b) The complaint shall set forth the facts upon which the complaint is based. The complainant shall confirm that he or she believes the facts stated in the complaint are true and that he or she is prepared to prove them at a hearing.

(c) The complaint shall be filed in the office of the Board. The Board's professional standards staff shall open a case file, notify the complainant of receipt of the complaint, notify and provide a copy of the complaint to the respondent named in the complaint, and conduct an investigation of the allegations in the complaint. Based upon the investigation and the recommendation of the Professional Standards Committee of the Board appointed by the Board President, and with the approval of the Board, the professional standards staff may do any of the following:

- (1) close the case without prejudice;
- (2) close the case with prejudice;
- (3) prepare a Consent Order;
- (4) apply to the courts for injunctive relief; or
- (5) prepare a proposed Hearing Notice.

The Professional Standards Committee shall determine whether the allegations in a case warrant applying to the courts for injunctive relief and whether the allegations in the proposed Hearing Notice, if proven, warrant a contested case proceeding pursuant to G.S. 150B-38 – 150B-42. A copy of any Hearing Notice filed and application for injunctive relief applied for shall be provided to the complainant in that matter.

(d) The Board shall notify the complainant and the respondent in any complaint filed with the Board of the disposition of the case and shall publish or announce the disciplinary action against a CPA.

08I .0102 Procedure When Petition against Board Member or Employee

If the person against whom a petition for disciplinary action is filed is a Board member or a Board employee, the Secretary Treasurer or Executive Director shall immediately notify that person and every member of the Board of the petition. The person against whom the petition was filed shall not participate in considering or acting on the petition.

08I .0104 Modification of Discipline

(a) A person whose certificate or CPA firm whose registration has been permanently revoked by the Board may apply to the Board for modification of the discipline at any time after five years from the date of the original discipline. If an application for modification of discipline is denied, the person or CPA firm may re-apply three years thereafter.

(b) The application for modification of discipline shall be in writing and show good cause for the relief sought. The application for a person shall be accompanied by three or more supporting recommendations, made under oath, from CPAs who have personal knowledge of the facts relating to the revocation and of the activities of the applicant since the discipline was imposed. The application for a CPA firm shall be accompanied by three or more supporting

recommendations, made under oath, for each CPA partner, CPA member, or CPA shareholder from CPAs who have personal knowledge of the facts relating to the revocation and of the activities of the CPA partner, CPA member, or CPA shareholder since the discipline was imposed.

(c) "Good cause" as used in Paragraph (b) of this Rule means that the applicant is rehabilitated with respect to the conduct that was the basis of the discipline. Evidence demonstrating such rehabilitation shall include evidence that:

- (1) the person has not engaged in any conduct during the discipline period that, if that person had been licensed or registered during such period, would have constituted the basis for discipline pursuant to G.S. 93-12(9);
- (2) the person has completed the sentence imposed with respect to any criminal conviction that constituted any part of the previous discipline; and
- (3) restitution has been made to any aggrieved party with respect to a court order, civil settlement, lien or other agreement.

(d) In determining good cause, the Board may consider all of the applicant's activities since the disciplinary penalty was imposed, the offense for which the applicant was disciplined, the applicant's activities during the time the applicant was in good standing with the Board, the applicant's rehabilitative efforts, restitution to damaged parties in the matter for which the penalty was imposed, and the applicant's general reputation for truth and professional probity. For the purpose of this Paragraph, "applicant" shall, in the case of a CPA firm, include CPA partners, CPA members, or CPA shareholders.

(e) Any person who applies for a modification of discipline and for a new certificate after revocation shall, in addition to the other requirements of this Section, comply with all qualifications and requirements for initial certification as identified by the Board that existed at the time of the original application.

(f) No application for a new certificate or for modification of discipline shall be considered while the applicant is serving a sentence for any criminal offense. Serving a sentence includes incarceration, probation (supervised or unsupervised), parole, or conditionally suspended sentence, any of which are imposed as a result of having been convicted or having pled to a criminal charge.

(g) An application shall be ruled upon by the Board on the basis of the recommendations and evidence submitted in support thereof. However, the Board may make additional inquiries of any person or persons, or request additional evidence it deems appropriate.

(h) As a condition for a new certificate or modification of discipline, the Board may impose terms and conditions it considers suitable to ensure the licensee's or CPA firm's future compliance with the statutory and rule requirements of the Board including the rules of Professional Ethics and Conduct as set forth in 21 NCAC 08N.

08I .0105 Revocation of Certificates

(a) When a certificate is revoked either for a specific period of time or permanently, the certificate holder shall return the certificate to the Board office within 15 days of receipt of notice of revocation.

(b) Pursuant to the provisions of 21 NCAC 08I .0104, the Board may issue a new certificate under a new number to anyone whose certificate has been revoked.

Subchapter 08J—Renewals and Registrations

Section .0100 – Requirements

08J .0101 Annual Renewal of Certificate, Forfeiture, and Reapplication

(a) All active CPAs shall renew their certificates annually by the first day of July. The fee for such renewal is the maximum amount allowed by G.S. 93-12(8).

(b) To renew a certificate a CPA shall submit to the Board:

- (1) a completed certificate renewal application form;
- (2) a completed CPE report, as required by 21 NCAC 08G .0406(a); and
- (3) the annual renewal fee set forth in G.S. 93-12(8).

(c) Upon failure of a CPA to comply with any applicable part of Paragraph (b) of this Rule by July 1, the Board shall send notice of such failure in the form of a demand letter to the CPA at the most recent mailing address the Board has on file. Completed renewal application packages shall be postmarked with proper postage not later than 30 days after the mailing date of the demand letter, unless that date falls on a weekend, in which case the renewal package shall be postmarked or received in the Board office on the next business day. For renewal packages sent via the U.S. Postal Service, only a U.S. Postal Service cancellation shall be considered as the postmark. If the renewal package is sent to the Board office via a private delivery service, the date the package is received by the delivery service shall be considered as the postmark. Subsequent failure of the CPA to comply with any applicable part of Paragraph (b) of this Rule within 30 days after such notice is mailed by the Board automatically results in forfeiture of the CPA's certificate, as required by G.S. 93-12(15).

(d) Upon forfeiture of a certificate, the certificate holder is no longer a CPA and the Board shall send notice of such forfeiture to the certificate holder by certified mail to the most recent mailing address the Board has on file. The certificate holder shall return the certificate to the Board office within 15 days after receipt of notice of forfeiture or, if the certificate has been destroyed or lost, shall submit an affidavit, on a form supplied by the Board, within 15 days of receipt of such notice that the certificate has been destroyed or has been lost and shall be returned to the Board if found.

(e) A person who has forfeited a certificate pursuant to G.S. 93-12(15) for failure to renew his or her certificate may apply for reissuance under Rule .0106 of this Section.

(f) If a check or credit card authorization for the annual renewal fee fails to clear the bank, the annual renewal shall be deemed incomplete and returned.

(g) Any active CPA serving in the armed forces of the United States and to whom an extension of time to file a tax return is granted pursuant to G.S. 105-249.2, shall be granted the same extension of time to comply with the requirements of Paragraphs (a) and (b) of this Rule.

08J .0105 Inactive Status: Change of Status

(a) A CPA may apply to the Board for change of status to inactive status provided the CPA meets the description of inactive status as defined in 21 NCAC 08A .0301. Application for any status change shall be made on the form provided by the Board.

(b) A CPA who does not meet the definition of inactive may not remain on inactive status.

(c) A CPA on inactive status may change to active status by:

- (1) paying the certificate renewal fee for the license year in which the application for change of status is received;
- (2) furnishing the Board with evidence of satisfactory completion of 40 hours of CPE courses during the 12-month period immediately preceding the application for change of status. Eight of the required hours shall be credits derived from a course or examination in North Carolina accountancy statutes and rules (including the Code of Professional Ethics and Conduct as set forth in 21 NCAC 08N contained therein) as set forth in 21 NCAC 08F .0504; and
- (3) submitting three certificates of good moral character and [sic] completed by CPAs.

08J .0106 Forfeiture of Certificate and Reissuance

(a) A person who has forfeited a certificate is no longer a CPA and thus is not subject to the renewal fee or CPE requirements contained in these Rules.

(b) A person who requests reissuance of a forfeited certificate shall make application and provide the following to the Board:

- (1) payment of the current certificate application fee;
- (2) three certificates of moral character provided by the Board and completed by CPAs; and
- (3) evidence of satisfactory completion of the CPE requirement described in Rule .0105(c)(2) of this Section.

(d) The certificate may be reissued if determined by the Board that the person meets the requirements as listed in Paragraph (b) of this Rule.

08J .0107 Mailing Addresses of Certificate Holders and CPA Firms

All certificate holders and CPA firms shall notify the Board in writing within 30 days of any change in home address and phone number; CPA firm address and phone number; business location and phone number; and email address.

08J .0108 CPA Firm Registration

(a) All CPA firms shall register with the Board within 30 days after opening a North Carolina office or beginning a new CPA firm unless they are a professional corporation, professional limited liability company, or registered limited liability partnership, in which case they shall register prior to formation pursuant to 21 NCAC 08K .0104 and .0301.

(b) In addition to the registration required by Paragraph (a) of this Rule, all CPA firms shall renew annually by January 31 with the Board upon forms provided by the Board.

(c) The information provided by the registration shall include:

- (1) Either an application for exemption from peer review, a request to be deemed in compliance with peer review or registration for peer review, pursuant to 21 NCAC 08M .0105;
- (2) For all CPA firms not exempt from the peer review program, with the registration immediately following its review, the information required by 21 NCAC 08M .0106(a);
- (3) For all North Carolina offices, an office registration form indicating the name of the office supervisor, the location of the office and its telephone number;

(4) For all partnerships or registered limited liability partnerships, a list of all resident and nonresident partners of the partnership;

(5) For all professional limited liability companies, the information set forth in 21 NCAC 08K .0104(d);

(6) For all incorporated CPA firms, the information set forth in 21 NCAC 08K .0104(d);

(7) For all CPA firms, the appropriate registration fees as set forth in 21 NCAC 08J .0110; and

(8) For all new CPA firms, the percentage of ownership held individually by each non-CPA owner who has five percent or more of ownership:

(A) in the new CPA firm; and

(B) at the year-end in each CPA firm in which that owner was an owner during the preceding two years.

(9) For all changes in ownership of a CPA firm, the percentage of ownership held individually by each owner who has five percent or more of ownership.

(d) All information provided for registration with the Board shall pertain to events of and action taken during the year preceding the year of registration. The last day of the preceding calendar year is the "year end."

(e) With regard to Paragraph (c)(3) of this Rule, one representative of a CPA firm may file all documents with the Board on behalf of the CPA firm's offices in North Carolina. However, responsibility for compliance with this Rule remains with each office supervisor.

(f) With regard to Paragraph (c)(4) or (c)(5) of this Rule, one annual listing by a representative of the partnership, registered limited liability partnership, or professional limited liability company shall satisfy the requirement for all owners of the CPA firm. However, each owner remains responsible for compliance with this Rule. The absence of a filing under Paragraph (c)(4) or (c)(5) of this Rule shall be construed to mean that no partnership, registered limited liability partnership, or professional limited liability company exists.

(g) Notice that a CPA firm has dissolved or any change in the information required by Paragraph (c)(3) of this Rule shall be delivered to the Board's office within 30 days after the change or dissolution occurs. A professional corporation or professional limited liability company which is dissolving shall deliver the Articles of Dissolution to the Board's office within 30 days of filing with the Office of the Secretary of State.

(h) Upon written petition by a CPA firm, the Board shall grant the CPA firm a conditional registration for a period of 60 days or less, if the CPA firm shows that circumstances beyond its control prohibited it from registering with the Board, completing a peer review or notifying the Board of change or dissolution pursuant to Paragraphs (a), (b), (c), and (g) of this Rule. The Board may grant a second extension under continued extenuating circumstances.

(i) A complete registration, as required by Paragraphs (b) and (c) of this Rule, shall be postmarked with proper postage or received in the Board office not later than the last day of January unless that date falls on a weekend or federal holiday, in which case that day shall be the next business day. Only a U.S. Postal Service cancellation is considered as the postmark. If a registration is sent to the Board office via a private delivery service, the date the package is received by the delivery service is considered as the postmark.

21 NCAC 08J .0109 CPA Firm Practice Privilege Notification

Notice pursuant to G.S. 93-10(c)(3) shall be made on a form supplied by the Board.

08J .0110 Registration Fees

The annual registration fees shall be as follows:

- (1) For all professional corporations or professional limited liability companies, twenty five dollars (\$25.00); and
- (2) For all non incorporated CPA firms which have offices both within and outside the state of North Carolina, whether sole proprietorships, partnerships, or registered limited liability partnerships, an amount equal to two thousand five hundred dollars (\$2,500.00) or the number of CPA members of the CPA firm multiplied by ten dollars (\$10.00), whichever is less.

08J .0111 Compliance with CPA Firm Registration

If a CPA firm fails to comply with any part of Rule .0108 or Rule .0110 of this Section, and continues to offer or render services, the Board may take disciplinary action against the CPA firm's members. As set forth in G.S. 93-12(9)(e), disciplinary action may include:

- (1) one hundred dollars (\$100.00) civil penalty for non-compliance of less than 60 days;
- (2) two hundred dollars (\$200.00) civil penalty for non-compliance in excess of 60 days but not more than 120 days;
- (3) five hundred dollars (\$500.00) civil penalty for each member for non-compliance in excess of 120 days.

Subchapter 08N—Professional Ethics and Conduct

SECTION .0100 – Scope and Applicability

21 NCAC 08N .0101 Scope of these Rules

(a) The rules in this Subchapter are the Rules of Professional Ethics and Conduct that G.S. 93-12(9) authorizes the Board to adopt. As such, they complement the other statutory causes for discipline set out in G.S. 93-12 (9)(a) through (d) and other provisions of G.S. 93, 55B, 57D, and 59-84.2. These Rules cover a broad range of behavior and shall not enumerate every possible unethical act.

(b) In the interpretation and enforcement of these Rules, the Board will consider the following without dispositive weight: relevant interpretations, rulings and opinions issued by the boards of other jurisdictions and by appropriately authorized ethics committees of professional organizations.

21 NCAC 08N .0102 Applicability and Organization of Rules

These Rules are applicable to all certificate holders. Rules in Section .0200 of this Subchapter relate to CPAs whether or not employed in the public practice of accountancy. Rules in Section .0300 of this Subchapter pertain to CPAs using the CPA title in connection with providing products or services to clients. Rules in Section .0400 of this Subchapter pertain to CPAs whenever engaged in attest services.

21 NCAC 08N .0103 Responsibility for Compliance by Others

A CPA and CPA firm shall be responsible for assuring compliance with the rules in this Subchapter by anyone who is the CPA's partner, fellow shareholder, member, officer, director, licensed employee, unlicensed employee or agent or unlicensed principal, or by anyone whom the CPA supervises. A CPA or CPA firm shall not permit others (including affiliated entities) to carry out on the CPA's behalf, with or without compensation, acts that if carried out by the CPA would be a violation of these Rules.

Section .0200 – Rules Applicable to All CPAs

21 NCAC 08N .0201 Integrity

The reliance of the public and the business community on sound financial reporting and advice on business affairs imposes on the accounting profession an obligation to maintain high standards of technical competence, morality, and integrity. A CPA shall at all times maintain independence of thought and action, hold the affairs of clients in strict confidence, strive continuously to improve professional skills, observe generally accepted accounting principles and standards, promote sound and informative financial reporting, uphold the dignity and honor of the accounting profession, and maintain high standards of personal conduct.

21 NCAC 08N .0202 Deceptive Conduct Prohibited

(a) A CPA shall not engage in deceptive conduct. "Deception" means any fraud, misrepresentations, representations, or omissions that a CPA either knew or should have known to have a capacity or tendency to be misleading. Deceptive conduct shall be prohibited whether or not anyone has actually been deceived.

(b) Prohibited conduct under this Section includes deception in:

- (1) obtaining or maintaining employment;
- (2) obtaining or keeping clients;
- (3) obtaining or maintaining certification, inactive status, or exemption from peer review;

- (4) reporting CPE credits;
- (5) certifying the character or experience of exam or certificate applicants;
- (6) implying abilities not supported by education, professional attainments, or licensing recognition;
- (7) asserting that services or products sold in connection with use of the CPA title are of a particular quality or standard when they are not;
- (8) creating false or unjustified expectations of favorable results;
- (9) using or permitting another to use the CPA title in a form of business not permitted by the accountancy statutes or rules;
- (10) permitting anyone not certified in this State (including one licensed in another jurisdiction) to unlawfully use the CPA title in this State or to unlawfully operate as a CPA firm in this State; or
- (11) falsifying a review, report, or any required program or checklist of any peer review program.

21 NCAC 08N .0203 Discreditable Conduct Prohibited

(a) A CPA shall not engage in conduct discreditable to the accounting profession.

(b) Prohibited discreditable conduct includes:

- (1) acts that reflect adversely on the CPA's honesty, integrity, trustworthiness, good moral character, or fitness as a CPA;
- (2) stating or implying an ability to influence a governmental agency or official;
- (3) failing to comply with any order issued by the Board;
- (4) failing to fulfill the terms of a peer review engagement contract;
- (5) misrepresentation in reporting CPE credits; or
- (6) entering into any settlement or other resolution of a dispute that purports to keep its contents confidential from the Board.
- (7) failing to participate in a peer review program pursuant to 21 NCAC 08M .0105.

21 NCAC 08N .0204 Discipline by Federal and State Authorities

(a) **Violations of Other Authorities' Laws or Rules.** A CPA shall not act in a way that would cause the CPA to be disciplined by federal or state agencies or boards for violations of laws or rules on ethics. CPAs who engage in activities regulated by other federal or state authorities (may include the following agencies: Internal Revenue Service, Department of Revenue, U.S. Securities and Exchange Commission, State Bar, North Carolina Secretary of State, Public Company Accounting Oversight Board, National Association of Securities Dealers, Department of Insurance, Government Accountability Office, U.S. Department of Housing and Urban Development, State Auditor, State Treasurer, or Local Government Commission) shall comply with all such authorities' ethics laws and rules.

(b) **Prima Facie Evidence.** A conviction or final finding of unethical conduct by a competent authority is prima facie evidence of a violation of this Rule.

(c) Notice to the Board Required. A CPA shall notify the Board in writing within 30 days of any conviction or finding against him or her of unlawful conduct by any federal or state court or regulatory authority.

21 NCAC 08N .0205 Confidentiality

(a) Nondisclosure. A CPA shall not disclose any confidential information obtained in the course of employment or a professional engagement except with the consent of the employer or client.

(b) Exceptions. This Rule shall not be construed:

- (1) to relieve a CPA of any reporting obligations pertaining to Section .0400 of this Subchapter;
- (2) to affect in any way the CPA's compliance with an order of a court or a validly issued subpoena by this Board;
- (3) to preclude the CPA from responding to any inquiry made by the AICPA Ethics Division or Trial Board, by a duly constituted investigative or disciplinary body of a state CPA society, or under state statutes;
- (4) to preclude the disclosure of confidential client information necessary for the peer review process or for any quality review program;
- (5) to preclude the CPA from assisting the Board in enforcing the accountancy statutes and rules;
- (6) to affect a CPA's disclosure of confidential information to state or federal authorities when the CPA concludes in good faith based upon professional judgment that a crime is being or is likely to be committed; or
- (7) to affect a CPA's disclosure of confidential information when such disclosure is required by state or federal laws or regulations.

21 NCAC 08N .0206 Cooperation with Board Inquiry

A CPA shall provide full cooperation in connection with any inquiry made by the Board. Full cooperation includes responding within 21 days to all inquiries of the Board or representatives of the Board and claiming Board correspondence from the U.S. Postal Service, private delivery service, or personal delivery.

21 NCAC 08N .0207 Violation of Tax Laws

A CPA shall not knowingly violate any state or federal tax laws or regulations in handling the CPA's personal business affairs, the business affairs of an employer or client, or the business affairs of any company owned by the CPA.

21 NCAC 08N .0208 Reporting Convictions, Judgments, and Disciplinary Actions

(a) Criminal Actions. A CPA shall notify the Board within 30 days of any conviction or finding of guilt of, pleading of nolo contendere, or receiving a prayer for judgment continued to any criminal offense.

(b) Civil Actions. A CPA shall notify the Board within 30 days of any judgment or settlement in a civil suit, bankruptcy action, administrative proceeding, or binding arbitration that:

- (1) is grounded upon an allegation of professional negligence, gross negligence, dishonesty, fraud, misrepresentation, incompetence, or violation of any federal or state tax law; and
- (2) was brought against either the CPA or a North Carolina office of a CPA firm of which the CPA was a managing owner.

(c) Settlements. A CPA shall notify the Board within 30 days of any settlement in lieu of a civil suit or criminal charge that is grounded upon an allegation of professional negligence; gross negligence; dishonesty; fraud; misrepresentation;

incompetence; or violation of any federal, state, or local law. Notification shall be required regardless of any confidentiality clause in the settlement.

(d) Investigations. A CPA shall notify the Board within 30 days of any inquiry or investigation by the criminal investigation divisions of the Internal Revenue Service (IRS) or any state department of revenue pertaining to any personal or business tax matters.

(e) Liens. A CPA shall notify the Board within 30 days of the filing of any liens by the Internal Revenue Service (IRS) or any state department of revenue regarding the failure to pay or apparent failure to pay for any amounts due for any tax matters.

21 NCAC 08N .0209 Accounting Principles

(a) Generally Accepted Accounting Principles. A CPA shall not 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 that has a material effect on the statements taken as a whole, unless the CPA can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases the CPA's report shall describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement.

(b) Financial Accounting Standards Board Accounting Standards Codification. The Financial Accounting Standards Board Accounting Standards Codification, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered generally accepted accounting principles for the purposes of Paragraph (a) of this Rule.

(c) Copies of Standards. Copies of the Financial Accounting Standards Board Accounting Standards Codification may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the FASB, Post Office Box 5116, Norwalk, CT 06856 as part of the "FASB Accounting Standards." They are available at cost, which is two hundred fifteen dollars (\$215.00) in paperback form.

21 NCAC 08N .0211 Responsibilities in Tax Practice

(a) Standards for Tax Services. A CPA shall not render services in the area of taxation unless the CPA has complied with the standards for tax services.

(b) Statements on Standards for Tax Services. The Statements on Standards for Tax Services issued by the AICPA, including subsequent amendments and editions, are hereby incorporated by reference, as provided by G.S. 150B-21.6, and shall be considered as the standards for tax services for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

(c) Copies of Standards. Copies of the Statements on Standards for Tax Services may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC, 27707 as part of the "AICPA Professional Standards." They are available at cost, which is one hundred ninety-four dollars (\$194.00) in paperback form or one hundred sixty-nine dollars (\$169.00) in online subscription form.

21 NCAC 08N .0212 Competence

A CPA shall perform professional services competently and shall:

- (1) undertake only those engagements that the CPA or CPA's firm can expect to complete with professional competence;
- (2) exercise due professional care in the performance of an engagement;
- (3) adequately plan and supervise an engagement; and

(4) obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to an engagement.

21 NCAC 08N .0213 Other Rules

A CPA shall not willfully violate any other rule in this Chapter nor any other provision of the Accountancy Statutes, the Professional Corporation Act, the Partnership Act, or the North Carolina Limited Liability Company Act.

21 NCAC 08N .0214 Outsourcing to Third-Party Service Providers

(a) A CPA shall provide a written disclosure in advance of the outsourcing to the client that he or she is using a third-party provider to assist the CPA in providing any professional services to the client.

(b) A CPA outsourcing professional services to a third-party provider shall be responsible for ensuring a third-party provider is in compliance with all rules of Professional of Conduct and Ethics in this Subchapter.

21 NCAC 08N .0215 International Financial Accounting Standards

(a) International Financial Accounting Standards. A CPA shall not express an opinion that financial statements are presented in accordance with international financial accounting standards if such statements contain any departure from an accounting standard that has a material effect on the statements, taken as a whole, unless the CPA can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases, the CPA's report shall describe the departure, the approximate effect thereof if practicable, and the reason(s) why compliance with the standard would result in a misleading statement.

(b) International Financial Accounting Standards consist of the following:

(1) International Financial Reporting Standards (IFRS) issued after 2001;

(2) International Accounting Standards (IAS) issued before 2001;

(3) Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC) issued after 2001; and

(4) Standing Interpretations Committee (SIC) issued before 2001.

(c) Copies of Standards. Copies of International Financial Accounting Standards may be inspected in the office of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the International Accounting Standards Board, IASC Foundation Publications Department, 30 Cannon Street, London, EC4M6XH, United Kingdom. They are available at cost, which is approximately one hundred two dollars (\$102.00) in paperback form or four hundred thirty-two dollars (\$432.00) in loose-leaf subscription form.

Section .0300 – Rules Applicable to all CPAs Who Use the CPA Title in Offering or Rendering Products or Services to Clients

21 NCAC 08N .0301 Professional Judgment

(a) Professional Judgment. A CPA shall not subordinate the CPA's professional judgment to non-CPAs.

(b) Tax Practice. In tax practice, the CPA may resolve doubt in favor of the CPA's client as long as there is reasonable support for the CPA's position.

21 NCAC 08N .0302 Forms of Practice

(a) Authorized Forms of Practice. A CPA who uses CPA in or with the name of the business or offers or renders audits, reviews, compilations, agreed-upon procedure or engagement services performed in accordance with the standards in 21 NCAC 08A .0301(b)(5) in the public practice of accountancy to clients shall do so only through a registered sole

proprietorship, partnership, Professional Corporation, Professional Limited Liability Company, or Registered Limited Liability Partnership.

(b) Authorized Ownership. A CPA firm may have an ownership of up to 49 percent by non-CPAs. A CPA firm shall have ownership of at least 51 percent and be controlled in law and fact by holders of valid CPA certificates who have the unrestricted privilege to use the CPA title and to practice public accountancy in a jurisdiction and at least one of whom shall be licensed by this Board.

(c) CPA Firm Registration Required. A CPA shall not offer or render professional services through a CPA firm that is in violation of the registration requirements of 21 NCAC 08J .0108, 08J .0110, or 08M .0105.

(d) Supervision of CPA Firms. Every North Carolina office of a CPA firm registered in North Carolina shall be actively and locally supervised by a designated actively licensed North Carolina CPA whose primary responsibility and a corresponding amount of time shall be work performed in that office.

(e) CPA Firm Requirements for CPA Ownership. A CPA firm and its designated supervising CPA shall be accountable for the following in regard to a CPA owner:

(1) a CPA owner shall be a natural person or a general partnership or a limited liability partnership directly owned by natural persons;

(2) a CPA owner shall actively participate in the business of the CPA firm; and

(3) a CPA owner who, prior to January 1, 2006, is not actively participating in the CPA firm may continue as an owner until such time as his or her ownership is terminated.

(f) CPA Firm Requirements for Non-CPA Ownership. A CPA firm and its designated supervising CPA owner shall be accountable for the following in regard to a non-CPA owner:

(1) a non-CPA owner shall be a natural person or a general partnership or limited liability partnership directly owned by natural persons;

(2) a non-CPA owner shall actively participate in the business of the firm or an affiliated entity as his or her principal occupation;

(3) a non-CPA owner shall comply with all applicable accountancy statutes and the rules as set forth in G.S. 93 and all rules in this Chapter.

(4) a non-CPA owner shall be of good moral character and shall be dismissed and disqualified from ownership for any conduct that, if committed by a licensee, would result in a discipline pursuant to G.S. 93-12(9); and

(5) a non-CPA owner shall report his or her name, home address, phone number, social security number, and Federal Tax ID number (if any) on the CPA firm's registration.

21 NCAC 08N .0303 Objectivity and Conflicts of Interest

(a) Personal Financial Interest in Advice. When offering or rendering accounting or related financial, tax, or management advice, a CPA shall be objective and shall not place the CPA's own financial interests nor the financial interests of a third party ahead of the legitimate financial interests of the CPA's client or the public in any context in which a client or the public can reasonably expect objectivity from one using the CPA title.

(b) Expectation of Objectivity Presumed. If the CPA uses the CPA title in any way to obtain or maintain a client relationship, the Board shall presume the reasonable expectation of objectivity.

(c) Acceptance of a Commission or Referral Fee. A CPA shall not recommend or refer to a client any product or service for a commission; recommend or refer any product or service to be supplied by a client; or receive a commission, when the CPA also performs the following for the client:

- (1) an audit or review of a financial statement;
- (2) a compilation of a financial statement when the CPA expects, or reasonably might expect, that a third party will use the financial statement and the CPA's compilation report does not disclose a lack of independence; or
- (3) an examination of prospective financial information.

This prohibition applies during the period in which the CPA is engaged to perform any of the services listed in Paragraph (c) of this Rule and the period covered by any historical financial statements involved in such listed services.

(d) Acceptance of a Contingent Fee.

(1) The offering or rendering of professional services for, or the receipt of, a contingent fee by a CPA shall not be prohibited except for engaging to render or rendering by a CPA:

(A) of professional services for any person for whom the CPA also performs attest services, during the period of the attest services engagement, and the period covered by any historical financial statements involved in such attest services; and

(B) for the preparation of original or amended tax returns or claims for tax refunds.

(2) Fees shall not be 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.

(e) A CPA shall communicate in advance to a client the scope of services or products to be rendered or referred for which the CPA will receive a commission, referral, or contingent fee. A CPA shall provide disclosure in a written statement within ten business days of the service or product to be rendered or referred with the commission, referral, or contingent fee to be charged or received by the CPA.

21 NCAC 08N .0304 Consulting Services Standards

(a) Standards for Consulting Services. A CPA shall not render consulting services unless the CPA has complied with the standards for consulting services.

(b) Statements on Standards for Consulting Services. The Statements on Standards for Consulting Services (including the definition of such services) issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for consulting services for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

(c) Copies of Statements. Copies of the Statements on Standards for Consulting Services may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is one hundred ninety-four dollars (\$194.00) in paperback form or one hundred sixty-nine dollars (\$169.00) in on-line subscription form.

21 NCAC 08N .0305 Retention of Client Records

(a) A CPA shall return client-provided records in the CPA's custody or control to the client at the client's request. Client-provided records are accounting or other records, including hardcopy and electronic reproductions of such records, belonging to the client that were provided to the CPA by, or on behalf of, the client.

(b) Unless a CPA and the client have agreed to the contrary, when a client makes a request for CPA prepared records or a CPA's work products that are in the CPA's custody or control that have not previously been provided to the client, the CPA shall respond to the client's request as follows:

(1) The CPA shall provide CPA prepared records relating to a completed and issued work product to the client, except that such records may be withheld if fees are due to the CPA for that specific work product; and

(2) CPA's work products shall be provided to the client, except that such work products may be withheld:

(a) if fees are due to the CPA for the specific work product;

(b) if the work product is incomplete;

(c) if for purpose of complying with professional standards (for example, withholding an audit report due to outstanding audit issues); or

(d) if threatened or outstanding litigation exists concerning the engagement or CPA's work.

(c) CPA prepared records are accounting or other records that the CPA was not specifically engaged to prepare and that are not in the client's books and records or are otherwise not available to the client, thus rendering the client's financial information incomplete. Examples include adjusting, closing, combining, or consolidating journal entries (including computations supporting such entries) and supporting schedules and documents that the CPA proposed or prepared as part of an engagement, (for an example, an audit). CPA's work products are deliverables set forth in the terms of the engagement, such as tax returns.

(d) Once a CPA has complied with these requirements, he or she shall not be under any further ethical obligation to:

(1) comply with any subsequent requests to again provide records or copies of records described in Paragraphs (a) and (b) of this Rule. If subsequent to complying with a request, a client experiences a loss of records due to a natural disaster, the CPA shall comply with an additional request to provide such records; and

(2) retain records for periods that exceed applicable professional standards, state and federal statutes and regulations, and contractual agreements relating to the service performed.

(e) A CPA who has provided records to an individual designated or held out as the client's representative, such as the general partner, majority shareholder, or spouse, shall not be obligated to provide such records to other individuals associated with the client.

(f) Work papers shall be the CPA's property, and the CPA is not required to provide such information to the client. However, state and federal statutes and regulations and contractual agreements may impose additional requirements on the CPA.

(g) In fulfilling a request for client provided records, CPA prepared records, or a CPA's work products, the CPA may:

(1) charge the client a fee for the time and expense incurred to retrieve and copy such records and require that the client pay the fee before the CPA provides the records to the client;

(2) provide the requested records in any format usable by the client. The CPA is not required to convert records that are not in electronic format to electronic format. If the client requests records in a specific format and the records are available in such format within the CPA's custody and control, the client's request should be honored. In addition, the CPA is not required to provide the client with formulas, unless the formulas support the client's underlying accounting or other records or the CPA was engaged to provide such formulas as part of a completed work product; and

(3) make and retain copies of any records that the CPA returned or provided to the client.

(h) A CPA who is required to return or provide records to the client shall comply with the client's request as soon as practicable, but no later than 45 days after the request is made.

21 NCAC 08N .0306 Advertising or Others Forms of Solicitation

(a) Deceptive Advertising. A CPA shall not seek to obtain clients by advertising or using other forms of solicitation in a manner that is deceptive.

(b) Specialty Designations. A CPA may advertise the nature of services provided to clients, but the CPA shall not advertise or indicate a specialty designation or other title unless the CPA has met the requirements of the granting organization for the separate title or specialty designation and the individual is currently on active status and in good standing with the granting organization for the separate title or specialty designation.

(c) The CPA firm shall offer to perform or perform professional services only in the exact name of the CPA firm as registered with the Board. The exact CPA firm name as registered with the Board shall be used on the following documents:

- (1) letterhead;
- (2) contracts;
- (3) engagement letters;
- (4) tax returns; and
- (5) all professional services reports.

(d) The CPA firm may advertise professional services using the exact name of the CPA firm, a portion of the CPA firm name, or initials or acronyms derived from the exact CPA firm name as registered with the Board.

(e) Any CPA or CPA firm offering to or performing professional services via the Internet shall include the following information on the Internet:

- (1) CPA business or CPA firm name as registered with the Board;
- (2) principal place of business;
- (3) business phone number; and
- (4) North Carolina certificate number and North Carolina as jurisdiction of certification.

(f) The use of the phrase "certified public accountant(s)" or "CPA(s)" in the name of any business entity on letterhead, professional services reports, business cards, brochures, building signage, office signs, telephone directories, contracts, engagement letters, tax returns, Internet directories, or any other advertisements or forms or solicitation shall be prohibited except for registered CPA firms.

21 NCAC 08N .0307 CPA Firm Names

(a) Deceptive Names Prohibited. A CPA or CPA firm shall not trade upon the CPA title through use of any name that would have the capacity or tendency to deceive. The name or initials of one or more members of a new CPA firm, as defined in 21 NCAC 08A .0301, shall be included in the CPA firm name. The name of former members and the initials of former members that are currently in the CPA firm name and the name of current members and the initials of current members may be included in a new CPA firm name. The name, the portion of the name, the initials of the name or the

acronym derived from the name of a firm network that includes names that were not previous CPA members or are not current CPA members of the CPA firm may be included in the CPA firm name. The name or initials of a non-CPA member in a CPA firm name may be included in the CPA firm name if certified public accountant or CPA is not included in or with the CPA firm name.

(b) Style of Practice. It is misleading if a CPA firm practices under a name or style that would tend to imply the existence of a partnership or registered limited liability partnership or a professional corporation or professional limited liability company of more than one CPA shareholder or CPA member or an association when in fact there is no partnership nor is there more than one CPA shareholder or CPA member of a CPA firm. For example, no CPA firm having just one CPA member may have as a part of its name the words "associates," "group," "firm," or "company" or their abbreviations. It is also misleading if a CPA renders non-attest professional services through a non-CPA firm using a name that implies any non-licensees are CPAs.

(c) Any CPA firm that has continuously used an assumed name approved by the Board prior to April 1, 1999, may continue to use the assumed name. A CPA firm (or a successor firm by sale, merger, or operation of law) using the name, or a portion of a name, or the initials of the name, or the acronym derived from the name of a firm association or firm network that was approved by the Board prior to April 1, 1999 may continue to use that name so long as that use is not deceptive. A CPA firm (or a successor firm by sale, merger, or operation of law) may continue to use the surname of a retired or deceased partner or shareholder in the CPA firm's name so long as that use is not deceptive.

(d) Any CPA firm registered in another jurisdiction that provides notification of intent to practice pursuant to G.S. 93-10(c)(3) may practice under the name as registered with that jurisdiction.

21 NCAC 08N .0308 Valuation Services Standards

(a) Standards for Valuation Services. A CPA shall not render valuation services of a business, a business ownership interest, security, or intangible asset unless the CPA has complied with the standards for valuation services.

(b) Statements on Standards for Valuation Services. The Statements on Standards for Valuation Services (including the definition of such services) issued by the AICPA, including amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for valuation services for the purposes of Paragraph (a) of this Rule. Departures from the standards listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

(c) Copies of Statements. Copies of the statements on standards for valuation services may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is one hundred ninety-four dollars (\$194.00) in paperback form or one hundred sixty-nine dollars (\$169.00) in on-line subscription form.

21 NCAC 08N .0309 Personal Financial Planning Services

(a) Statement on Standards on Personal Financial Planning Services. A CPA shall not render personal financial planning services unless the CPA has complied with the applicable standards for personal financial planning services.

(b) Statement on Standards on Personal Financial Planning Services. The Statement on Standards on Personal Financial Planning Services (including the definition of such services) issued by the AICPA, including subsequent amendments and editions, is hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for personal financial planning services for the purpose of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

(c) Copies of Statements. Copies of the Statement on Standards on Personal Financial Planning Services may be inspected in the office of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is one

hundred sixty-nine dollars (\$169.00) in paperback form or four hundred eighty-six dollars (\$486.00) in online subscription form.

Section .0400 – Rules Applicable to CPAs Performing Attest Services

21 NCAC 08N .0401 Public Reliance

The rules in this Section apply to any CPA who engages in attest services as defined in 21 NCAC 08A .0301(b).

21 NCAC 08N .0402 Independence

(a) A CPA, or the CPA's firm, who is performing an engagement in which the CPA, or the CPA's firm, will issue a report on financial statements of any client (other than a report in which lack of independence is disclosed) shall be independent with respect to the client in fact and appearance.

(b) Independence is impaired if, during the period of the professional engagement, a covered person:

(1) had or was committed to acquire any direct or material indirect financial interest in the client;

(2) was a trustee of any trust or executor or administrator of any estate if such trust or estate had or was committed to acquire any direct or material indirect financial interest in the client; and

(A) the covered person (individually or with others) had the authority to make investment decisions for the trust or estate;

(B) the trust or estate owned or was committed to acquire more than 10 percent of the client's outstanding equity securities or other ownership interests; or

(C) the value of the trust's or estate's holdings in the client exceeded 10 percent of the total assets of the trust or estate;

(3) had a joint closely held investment that was material to the covered person; or

(4) except as permitted in the AICPA Professional Standards Code of Professional Conduct and Bylaws, had any loan to or from the client or any officer or director of the client, or any individual owning 10 percent or more of the client's outstanding equity securities or other ownership interests.

(c) Independence is impaired if during the period of the professional engagement, a shareholder, a member, a partner or professional employee of the firm, his or her immediate family and close relatives, (as defined in the AICPA Code of Professional Conduct and Bylaws) or any group of such persons acting together owned more than five percent of a client's outstanding equity securities or other ownership interests.

(d) Independence is impaired if, during the period covered by the financial statements, or during the period of the professional engagement, a shareholder, a member, a partner, or professional employee of the firm was simultaneously associated with the client as a:

(1) director, officer, employee, or in any capacity equivalent to that of a member of management;

(2) promoter, underwriter, or voting trustee; or

(3) trustee for any pension or profit-sharing trust of the client.

(e) For the purposes of this Rule "covered person" is

(1) an individual on the attest engagement team;

- (2) an individual in a position to influence the attest engagement;
- (3) a partner or manager who provides non-attest services to the attest client beginning once he or she provides 10 hours of non-attest services to the client within any fiscal year and ending on the later of the date:
 - (A) the firm signs the report on the financial statements for the fiscal year during which those services were provided; or
 - (B) he or she no longer expects to provide 10 or more hours of non-attest services to the attest client on a recurring basis;
- (4) a partner in the office in which the lead attest engagement partner primarily practices in connection with the attest engagement;
- (5) the firm, including the firm's employee benefit plans; or
- (6) an entity whose operating, financial, or accounting policies can be controlled (as defined by generally accepted accounting principles (GAAP) for consolidation purposes) by any of the individuals or entities described in Subparagraphs (1) through (5) of this Paragraph or by two or more such individuals or entities if they act together;

(f) The impairments of independence listed in this Rule shall not be interpreted to be an all inclusive list.

21 NCAC 08N .0403 Auditing Standards

(a) Standards for Auditing Services. A CPA shall not render auditing services unless the CPA has complied with the applicable generally accepted auditing standards.

(b) Statements on Auditing Standards. The Statements on Auditing Standards issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered generally accepted auditing standards for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

(c) Copies of Statements. Copies of the Statements on Auditing Standards may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is one hundred ninety-four dollars (\$194.00) in paperback form or one hundred sixty-nine dollars (\$169.00) in on-line subscription form.

21 NCAC 08N .0404 Accounting and Review Services Standards

(a) Standards for Accounting and Review Services. A CPA shall not render accounting and review services unless the CPA has complied with the standards for accounting and review services.

(b) Statements on Standards for Accounting and Review Services. The Statements on Standards for Accounting and Review Services issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for accounting and review services for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

(c) Copies of Statements. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is one hundred ninety-four dollars (\$194.00) in paperback form or one hundred sixty-nine dollars (\$169.00) in on-line subscription form.

21 NCAC 08N .0405 Governmental Accounting Standards

(a) Standards for Governmental Accounting. A CPA shall not permit the CPA's name to be associated with governmental financial statements for a client unless the CPA has complied with the standards for governmental accounting.

(b) Statements on Governmental Accounting and Financial Reporting Services. The Statements on Governmental Accounting and Financial Reporting Services issued by the GASB, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered as the approved standards for governmental accounting for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

(c) Copies of Statements. Copies of the Statements on Governmental Accounting and Financial Reporting Standards, including technical bulletins and interpretations, may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the GASB, Post Office Box 30784, Stamford, CT 06150. They are available at cost, which is one hundred eighty-four dollars (\$184.00). In addition to the basic set, an updating subscription service is available for two hundred twenty-five dollars (\$225.00) annually.

21 NCAC 08N .0406 Attestation Standards

(a) Standards for Attestation Services. A CPA shall not render attestation services unless the CPA has complied with the applicable attestation standards.

(b) Statements on Standards for Attestation Engagements. The Statements on Standards for Attestation Engagements issued by the AICPA, including subsequent amendments and editions, are hereby adopted by reference, as provided by G.S. 150B-21.6, and shall be considered attestation standards for the purposes of Paragraph (a) of this Rule. Departures from the statements listed in this Paragraph shall be justified by those who do not follow them as set out in the statements.

(c) Copies of Statements. Copies of the Statements on Standards for Attestation Engagements may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 220 Leigh Farm Road, Durham, NC 27707 as part of the "AICPA Professional Standards." They are available at cost, which is one hundred ninety-four dollars (\$194.00) in paperback form or one hundred sixty-nine dollars (\$169.00) in on-line subscription form.

21 NCAC 08N .0408 Peer Review Standards

A CPA who is engaged to perform a peer review shall not violate the rules or standards as set in 21 NCAC 08M of the peer review program under which the review is made or the engagement contract connected with that peer review.

21 NCAC 08N .0409 Government Auditing Standards

(a) Standards for Government Audits. A CPA shall not render audit services to a government entity or entity that receives government awards and is required to receive an audit in accordance with Government Auditing Standards unless the CPA has complied with the applicable Generally Accepted Government Auditing Standards.

(b) Government Auditing Standards. The Government Auditing Standards issued by the United States Government Accountability Office, including subsequent amendments and additions, are hereby incorporated by reference, as provided by G.S. 150B-21.6, and shall be considered Generally Accepted Government Auditing Standards for the purpose of Paragraph (a) of this Rule. Departures from the standards listed in this Paragraph shall be justified by those who do not follow them as set out in the standards.

(c) Copies of Standards. Copies of the Government Auditing Standards may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the Government Printing Office, Washington, D.C. 20402-0001. They are available at a cost, which is sixteen dollars (\$16.00) in paperback form.

21 NCAC 08N .0410 International Standards on Auditing

(a) International Standards on Auditing. A CPA shall not render auditing services unless the CPA has complied with the applicable international standards on auditing.

(b) Statement on International Standards on Auditing. The Statement on International Standards on Auditing issued by the International Auditing and Assurance Board, including subsequent amendments and additions, are hereby incorporated by reference, as provided by G.S. 150B-21.6, and shall be considered International Standards on Auditing for the purpose of Paragraph (a) of this Rule. Departures from the standards listed in this Paragraph shall be justified by those who do not follow them as set out in the standards.

(c) Copies of the Standards. Copies of the International Standards on Auditing may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the International Auditing and Assurance Board at 529 5th Avenue, 6th Floor, New York, NY 10017. They are available at a cost, which is one hundred sixty dollars (\$160.00) in paperback form.

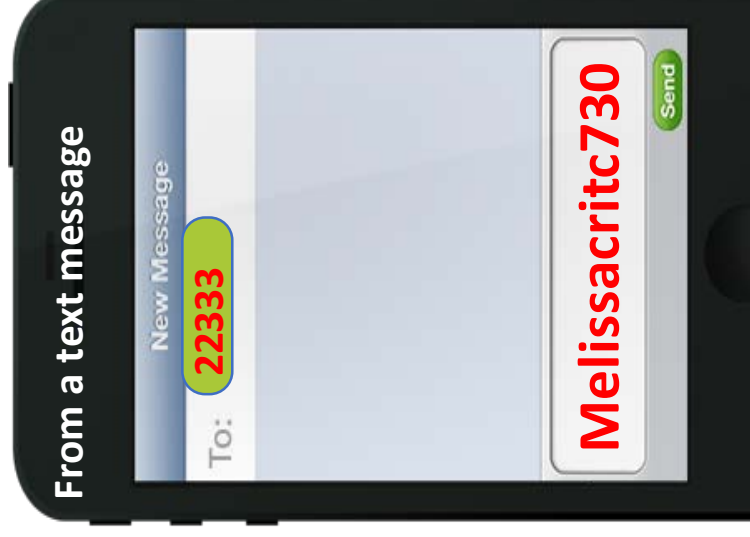
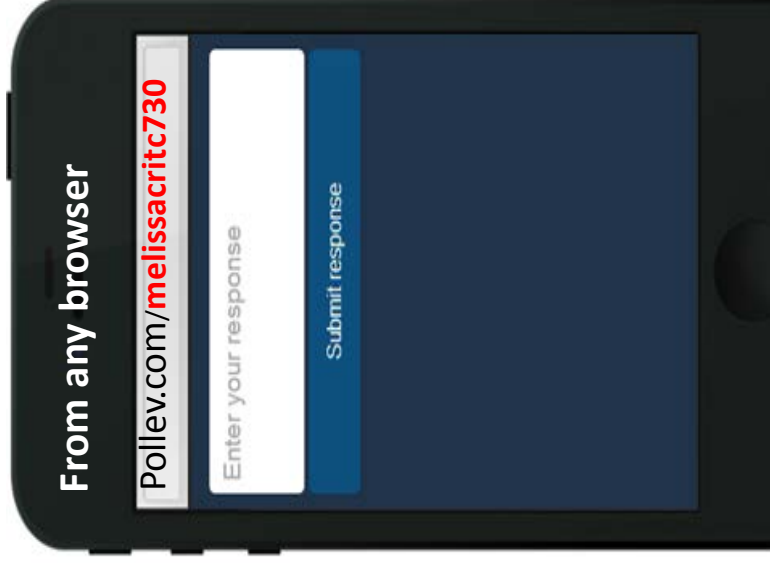


2018

Professional Ethics and Conduct



**Please go to www.pollev.com/melissacritc730
or
text the phrase “melissacritc730” to 22333**



Poll Question



I work in....

Public
Accounting

Industry

Government

Education

Other

Start the presentation to see live content. Still no live content? Install the app or get help at PollEv.com/app

How many years experience do you have?

Less than 5 years

More then 5 years but
less than 15 years

More than 15 years but
less than 30 years

More than 30 years

I am retired

Start the presentation to see live content. Still no live content? Install the app or get help at PollEv.com/app

Reminder.....

- What it means to be a CPA.....
- The rules that govern us as CPAs....
- Why we are here today....

21 NCAC 08G .0410 PROFESSIONAL ETHICS AND CONDUCT CPE

- (a) As part of the annual CPE requirement, all active CPAs shall complete CPE on professional ethics and conduct. The CPA shall complete two contact hours in either a group study format or in a self-study format of a course on regulatory or behavioral professional ethics and conduct. This CPE shall be offered by a CPE sponsor registered with NASBA pursuant to Rule .0403(b) of this Section.

North Carolina Accountancy Rules North Carolina State Law



To contact:

N.C. State Board of Certified Public
Accountant Examiners

www.nccpaboard.gov

RULES, RULES, RULES



AICPA[®]

Internal Revenue Service



[North Carolina State Board of CPA Examiners](#)

PCAOB

Public Company Accounting Oversight Board



Total Active CPAs

664,532*

CPA

* Does not include data from DE, HI, UT, or WI - NASBA



BY THE NUMBERS

A look at CPAs in North Carolina

Female CPAs
Total: 9,794
46%



Male CPAs
Total: 11,345
54%

Total CPAs: 21,139



Original NC Certificates
Total: 16,418
78%

Reciprocal Certificates
Total: 4,721
22%

93

Oldest Person
with an Active
CPA License
in North Carolina

23

Youngest Person
with an Active
CPA License
in North Carolina



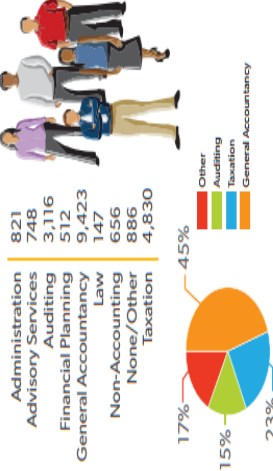
**Longest Standing
Certificate Issued**
1954

Where do the CPAs in NC work?

CPA Firm Partner	1,355
CPA Firm PLLC Member	416
CPA Firm Staff	4,195
Educator	321
Govt.: Accounting	1,061
Govt.: Non-Accounting	109
Individual Practitioner	1,563
Industry: Accounting	8,275
Industry: Non-Accounting	1,547
Legal	191
None/Other	713
PC Shareholder	831
Retired	241
Student	26
Unemployed	295

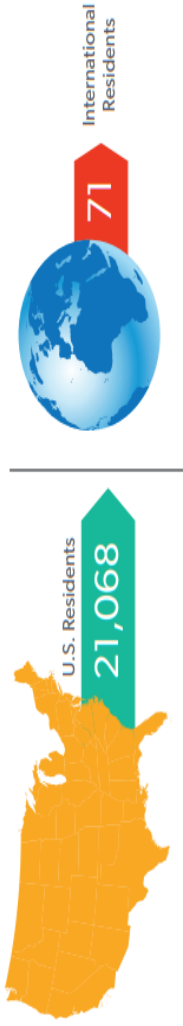


What type of jobs do CPAs in NC focus on?

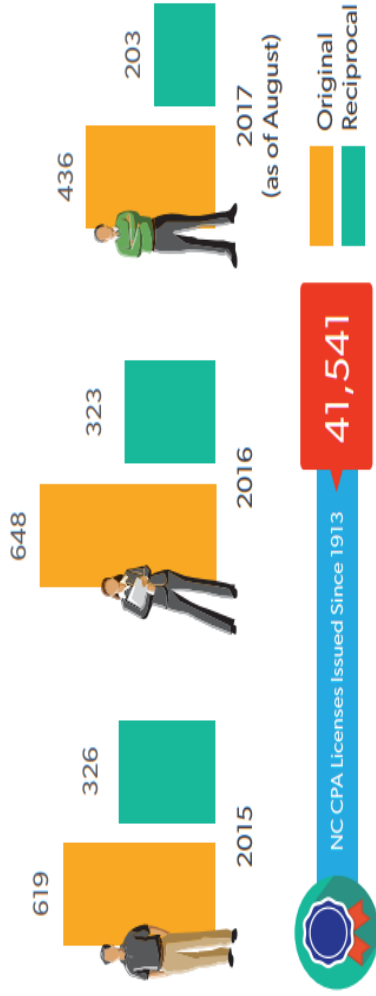


North Carolina State Board of Certified Public Accountant Examiners

Where do the NC licensed CPAs live?

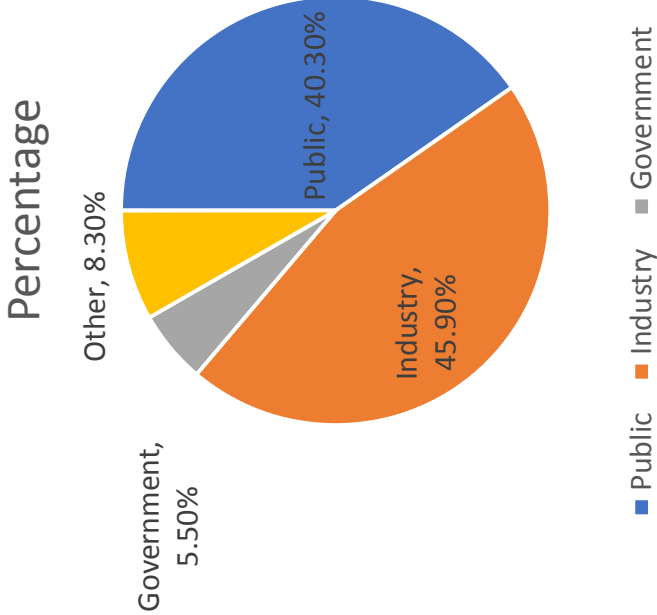


CPA License Applications Approved



North Carolina State Board of Certified Public Accountant Examiners

Registered North Carolina CPAs (Approx. 21,400)



CPAs Nationwide – Approx. 664,000

CPAs Residing in NC – Approx. 17,600

CPAs Residing in other States – Approx. 3,800

2017 Rule Changes

- “The Board shall conduct a background check of the applicant including a check of criminal records”
- This applies to both exam and certificate applications and was effective February 1, 2018

UAA Model Rules for 2018

- Completion of 20 hours of CPE annually
- Completion of no fewer than 40 hours of CPE annually
- 2 Ethics CPE credits annually
- Minimum of 50% of total CPE credits be in technical fields of study

North Carolina Administrative Rules 08N - Professional Ethics & Conduct

- **Section 100** – Scope and Applicability
- **Section 200** – Rules Applicable to All CPAs
- **Section 300** – Rules Applicable to All CPAs that use the CPA Title in Offering or Rendering Products or Services to Clients
- **Section 400** – Rules Applicable to CPA's Performing Attest Services

Rules for All CPAs (Section 200)

- Integrity
- Deceptive Conduct Prohibited
- Discreditable Conduct Prohibited
 - Confidentiality
 - Violation of tax laws
 - Reporting Convictions and Judgments
- Discipline by Federal/State Authorities - 30 days
- Cooperation with Board
 - Accounting Principles
 - Responsibilities in Tax Practice
 - Competence
- Inquiry - 21 days to respond
 - Outsourcing to third parties
 - IFRS

CASE STUDY #1: THE MISSING PEER REVIEW REPORT

FACTS

- Respondent submitted acceptance letter
- Failed to submit Report, Letter of Response and Final Letter of Acceptance
- Respondent is one CPA with no staff
- Performed 53 audits but omitted some from listing
- Several not in accordance with standards

CASE STUDY #1: THE MISSING PEER REVIEW REPORT

- Peer Review Committee required accelerated Peer Review
- Failed again for omitting engagements
- Committee accepted but must have pre-issuance reviews
- Committee requested discontinuance of attest and assurance engagements

Do you believe this to be a violation of NC rules?

Yes

No

Start the presentation to see live content. Still no live content? Install the app or get help at PollEv.com/app

WHAT THE BOARD SAID

- Failure to provide complete list of engagements violates .08N.0203
- Failure to comply with GAAS violates 08N.0403 and 08N.0212
- Failure to submit complete package violates 08M.0106(a)(4)

DISCIPLINE

- Certificate suspended 3 years
- Firm registration suspended
- \$1,000 civil penalty

CASE STUDY #2 PROFESSIONAL SKEPTICISM

FACTS

- CPA prepared 2011 returns as S-Corp based on client representation
- After filing became apparent election had not been filed but client said he would fix
- CPA prepared 2012 returns as S-Corp because client had refinanced home
- IRS rejected 2012 also

CASE STUDY #2 PROFESSIONAL SKEPTICISM

- CPA prepared 2013 returns as S-Corp
- New CPA hired and finally an S election is filed in December 2014
- Client files claim against CPA for losses incurred and files complaint with Board

Was there a violation of the NC rules?

Yes

No

Start the presentation to see live content. Still no live content? Install the app or get help at PollEv.com/app

CONSIDER THIS

- Statement on Standards for Tax Services No. 3 says:
 - May in good faith rely, without verification, on information furnished by taxpayer
 - Should make reasonable inquiries if information appears to be incorrect, incomplete, or inconsistent on its face or on basis of other known facts

WHAT THE BOARD SAID

- It was not unreasonable for the CPA to rely upon the representations made to him by his client so there is not a violation of 08N.0211

DISCIPLINE

- Dismissed without any disciplinary action taken
- CPA received a warning in the letter of dismissal

Rules for All CPAs Using the CPA Title (Section 300)

- Professional Judgment
- Forms of Practice
- Practice Privileges
- Objectivity and Conflicts of Interest
- Retention of Clients Records
- Advertising /Solicitation
- CPA Firm Names

Rules for All CPAs Performing Attest & Assurance Services (Section 400)

- Public Reliance
- Independence
- Standards (SAS, SSARS, GASB, GAGAS, peer review)
- Competitive Bidding

CASE STUDY #3 THE LEARNING EXPERIENCE

- Board received referral from Contractors Board for an audit that didn't meet their standards
- Statements used FRF-SMEs
- Audit report says "in accordance with GAAP"
- Audit report does not include all required elements

CASE STUDY #3 THE LEARNING EXPERIENCE

- Note disclosures continue to refer to GAAP
- CPA provided his documentation which consisted of copies of bank statements and AICPA guide for FRF-SMEs
- CPE records show no training for audits
- CPA said “Looks like I am in for a learning experience”

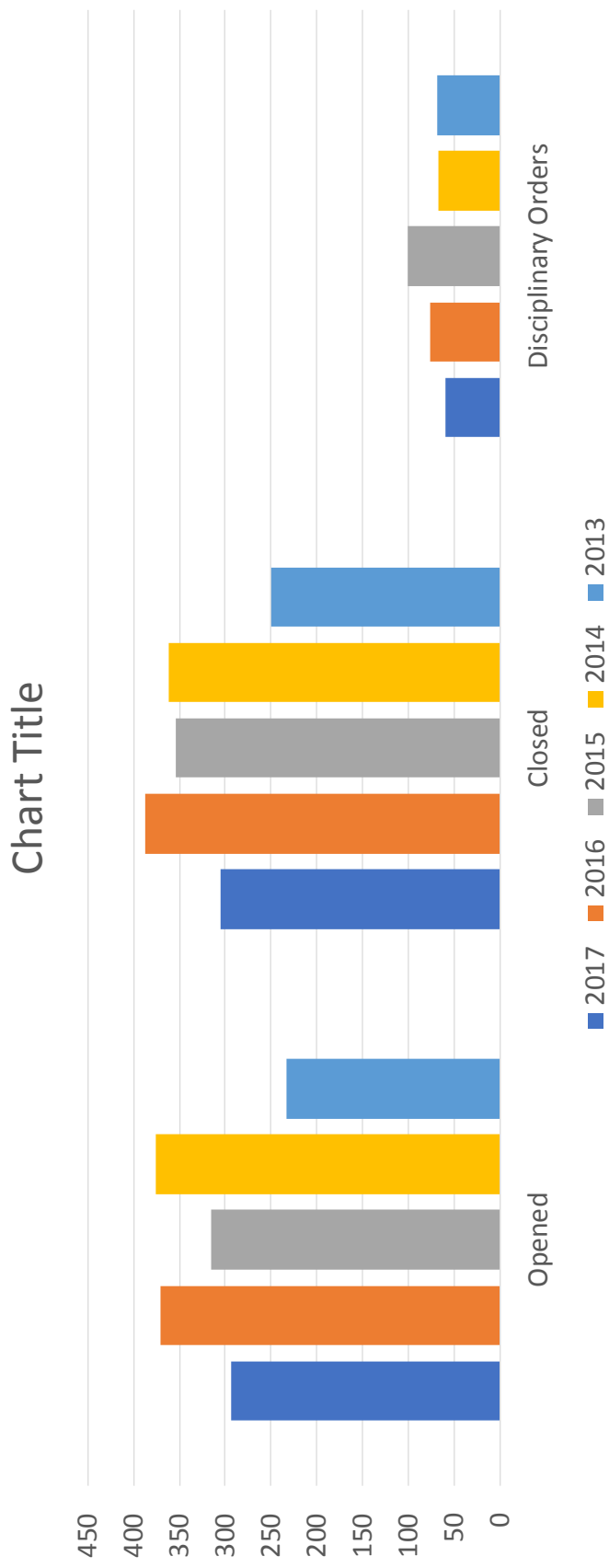
WHAT THE BOARD SAID

- Failure to perform audit in accordance with GAAS violates 08N.0403

DISCIPLINE

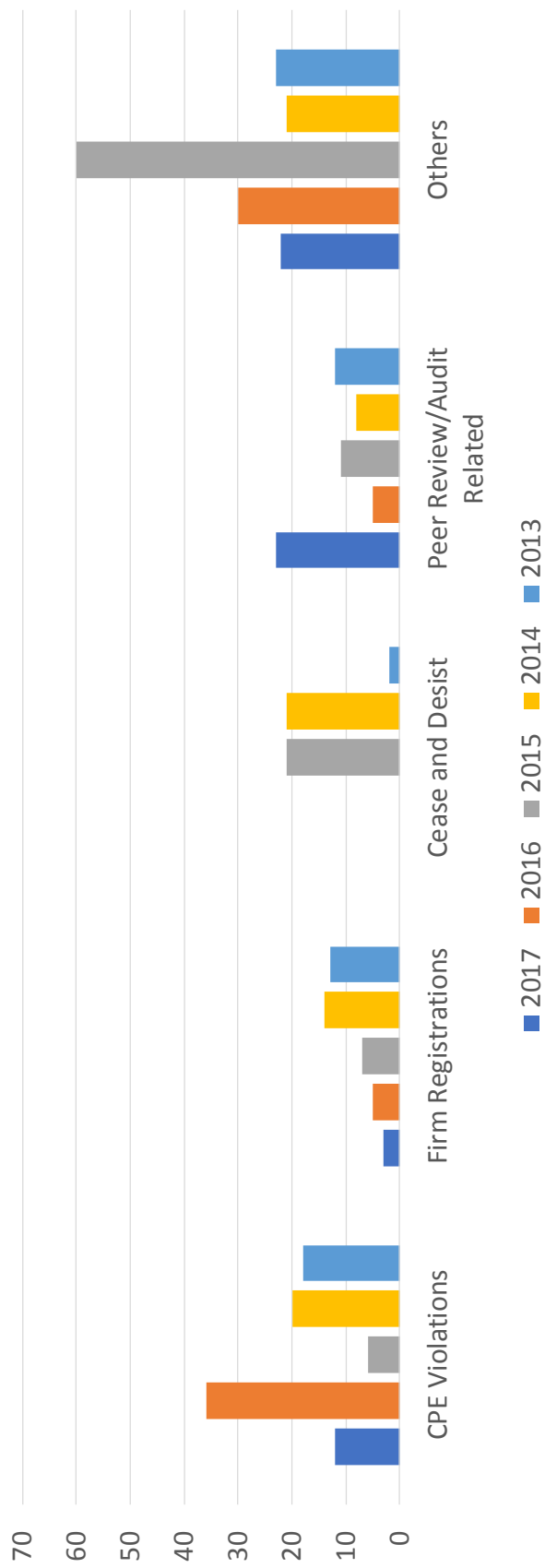
- Firm censured
- CPE (4 hours) in special purpose frameworks
- \$1,000 civil penalty
- Promise not to do audits
- If that changes, 16 hours of CPE and pre-issuance review

NC STATE BOARD ACTIVITY – 5 YEAR SUMMARY



2017 Disciplinary Orders

Chart Title



CASE STUDY # 4

Facts:

- CPA firm received letter from DOL requesting workpaper review for an EBP audit
- After reviewing workpapers, DOL rejected the audit and filing
- Firm was referred over to the AICPA Ethics Division
- Technical standards committee reviewed the DOL findings and performed telephone interview with respondent

CASE STUDY #4

- Respondent stated long standing relationship with client
- CPA is licensed in GA which does not require CPE for people over the age of 70
- CPA admitted that he did not know any of the rules surrounding the 401(k) audit since he does not do this kind of work
- His firm performs monthly accounting work and “generally looks over everything to make sure it is ok”
- His sister set up the accounting system for the client
- He admitted he purchased PPC products and prepared and completed workpapers only after receiving letter from DOL

Recommended Disciplinary Actions

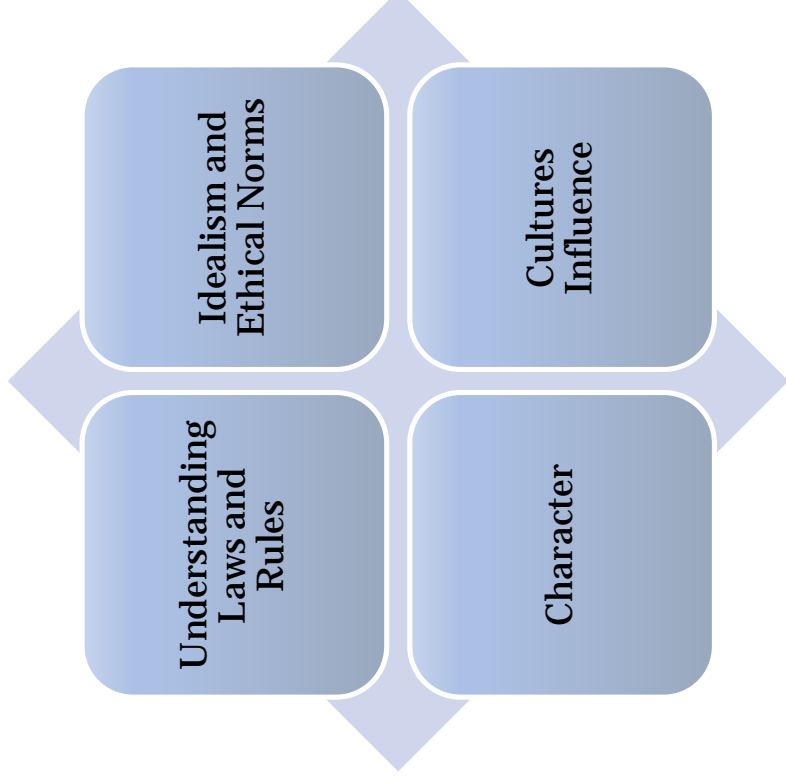
- CPE – 40 hours of A&A related CPE
- Pre-issuance review
- Work product follow-up
- Prohibited from teaching, serving on committees at AICPA and state level
- Peer review restriction
- 2 year suspension from state society

Discussion - Debrief

What were the formal violations?

- Competency
- Independence
- Should you....

Ethics In Accounting: Four Concepts



Why the Rules are there....

- Why can't they trust us?
- Do they think we're stupid or something!
- Isn't that just common sense?



Do you feel like the rules that govern us as CPA's are reasonable?

Yes

No

Start the presentation to see live content. Still no live content? Install the app or get help at PollEv.com/app

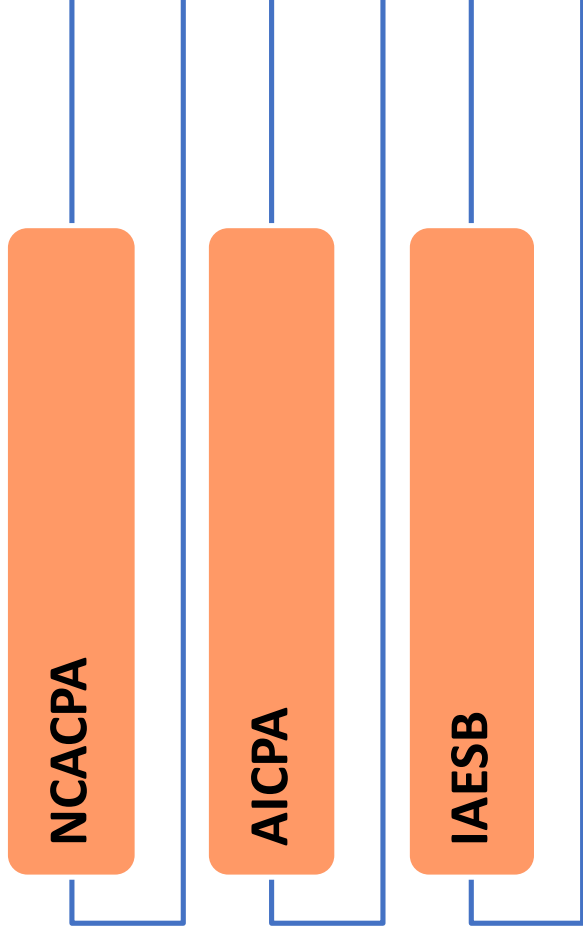
Rules....

- What about the rules in your workplace...do you feel like they are reasonable?
- What rules do you ignore in your own work?

Professionalism

- Process by which an occupation transforms through a commitment to integrity and competence.
- This involves establishing qualifications, a professional association to oversee the conduct of members, and a code of conduct-rules that govern the profession.
- Results in barriers to entry....

Integrity – So What is It?



Integrity - NCACPA

The reliance of the public and the business community on sound financial reporting and advice on business affairs imposes on the accounting profession an obligation to maintain high standards of

- ✓ Technical Competence,
- ✓ Morality, and
- ✓ Integrity.

Integrity - NCACPA

To this end, a CPA shall at all times

- ✓ **Maintain independence of thought and action,**
- ✓ **Hold the affairs of clients in strict confidence,**
- ✓ **Strive continuously to improve professional skills,**
- ✓ **Observe GAAP and GAAS,**
- ✓ **Promote sound and informative financial reporting,**
- ✓ **Uphold the dignity and honor of the accounting profession, and**
- ✓ **Maintain high standards of personal conduct.**

Integrity - AICPA

- ✓ An element of character;
- ✓ The benchmark for decision making;
- ✓ Honest and candid;
- ✓ Can accommodate the inadvertent error
and the honest difference of opinion;
- ✓ Cannot accommodate deceit or
subordination of principle; and

Integrity - AICPA

- ✓ Integrity is measured in terms of what is right and just.
- ✓ In the absence of specific rules, standards, or guidance or in the face of conflicting opinions, a member should test decisions and deeds by asking:
 - “Am I doing what a person of integrity would do?
Have I retained my integrity?”
- ✓ Integrity requires a member to observe both the form and the spirit of technical and ethical standards; circumvention of those standards constitutes subordination of judgment.

IAESB - Integrity

- ✓ A professional accountant shall comply with the principle of integrity which requires an accountant to be straightforward and honest in all professional business relationships
- ✓ Integrity Implies fair dealing and helpfulness

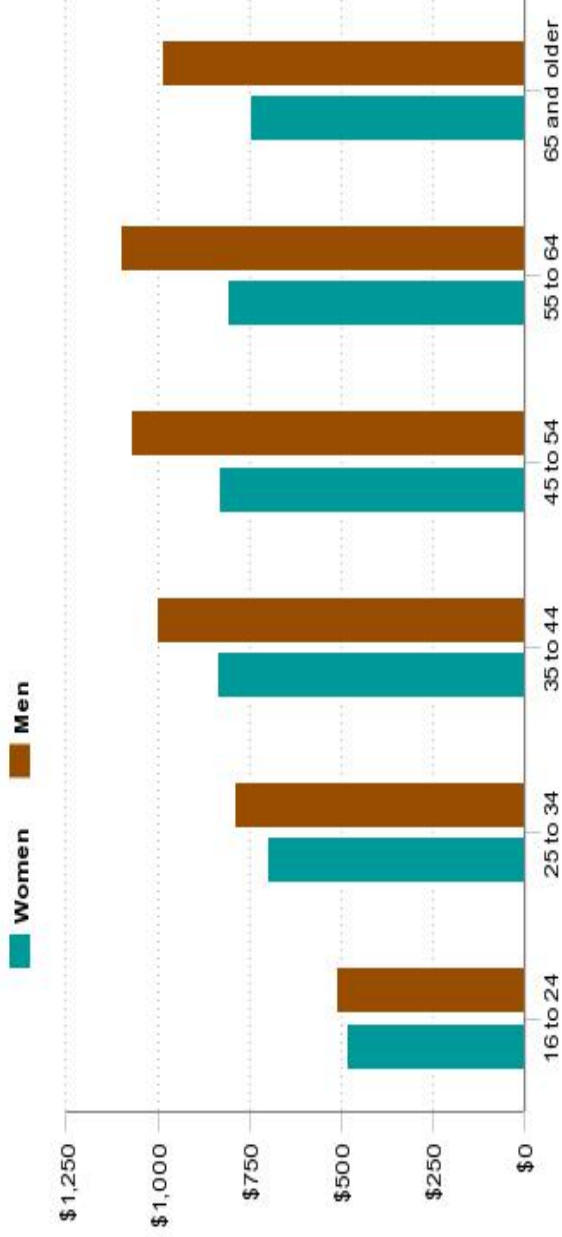
Top Ethical Issues Facing General Business Community

1. Pay Equality



Pay Equality

Median usual weekly earnings of women and men who are full-time wage and salary workers, by age, 2016 annual averages



Click legend items to change data display. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.

Top Ethical Issues Facing General Business Community

2. Accounting



Top Ethical Issues Facing General Business Community

3. Conflicts of Interest



Top Ethical Issues Facing General Business Community

4. Sexual Harassment

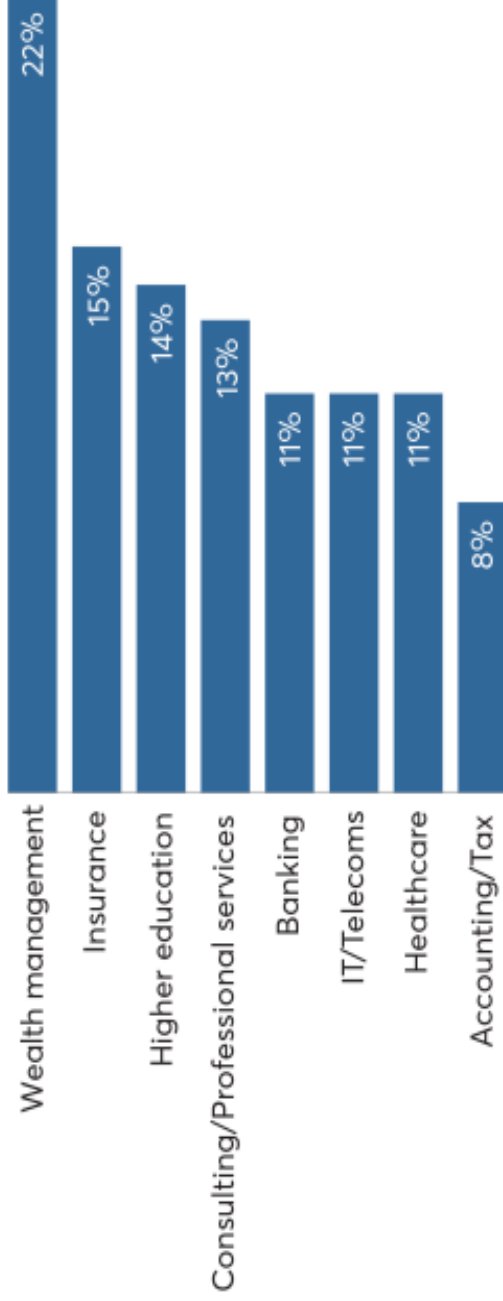




#MeToo
indianexpress.com

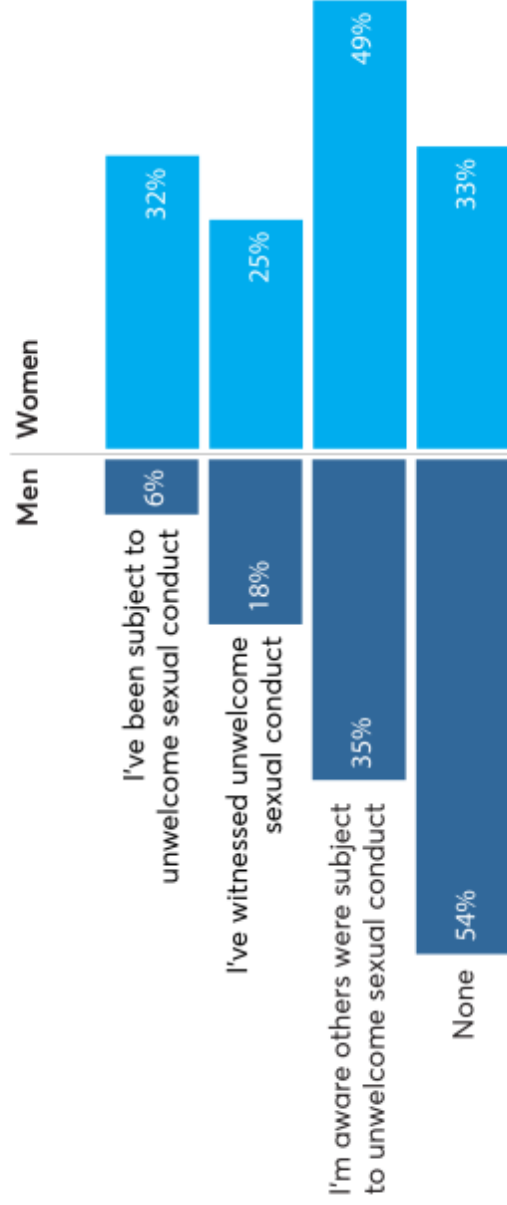


Prevalence of sexual harassment by industry sector



Notes: Chart shows percent of all respondents who rated sexual harassment as "High Prevalence." Respondents rated perceived prevalence of sexual harassment in their industry using a rating scale of 0-10 where 0 means sexual harassment is not present and 10 is highly prevalent. High prevalence = rating score 7-10
Source: "Sexual Harassment in the Professional Workplace," a SourceMedia Research survey, Feb.-Mar. 2018

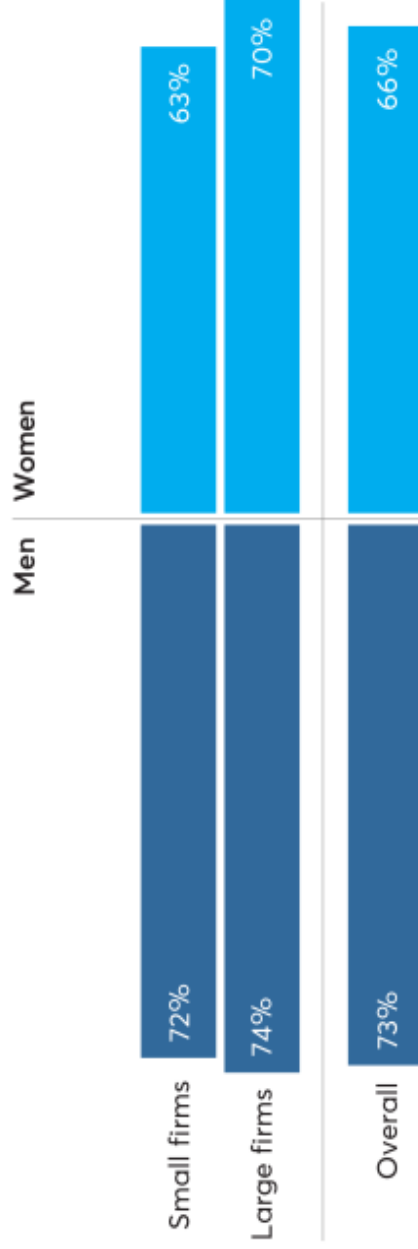
Men and women report different experiences in wealth management



Note: Respondents could select more than one choice
 Source: "Sexual Harassment in the Professional Workplace," a SourceMedia Research survey, Feb.-Mar. 2018

Most accountants say harassment is rare

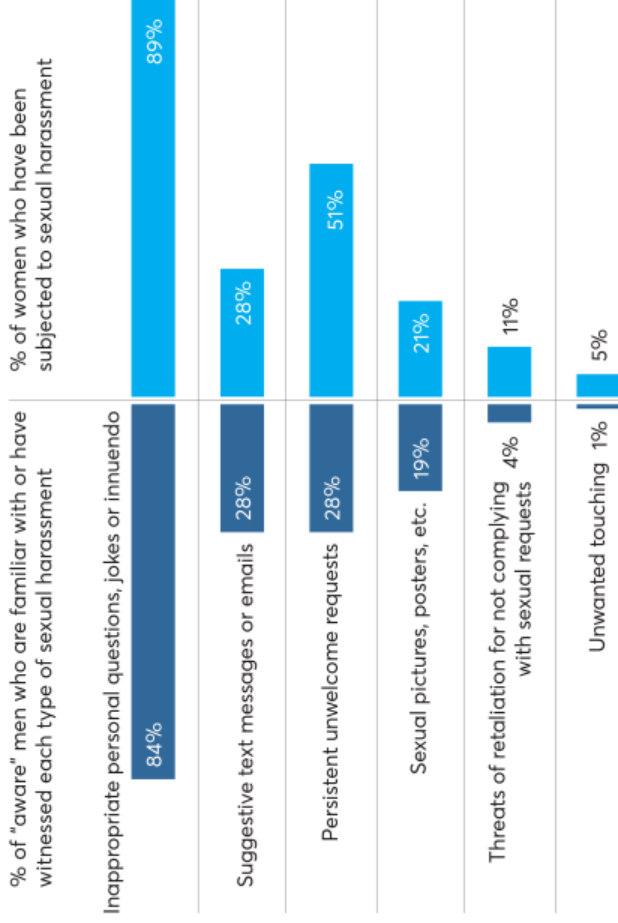
% of accountants and tax professionals who think there is a low prevalence of sexual harassment in the profession



Note: Small firms are defined as those with less than 50 employees.

Source: "Sexual Harassment in the Professional Workplace," a SourceMedia Research survey, Feb.-Mar. 2018

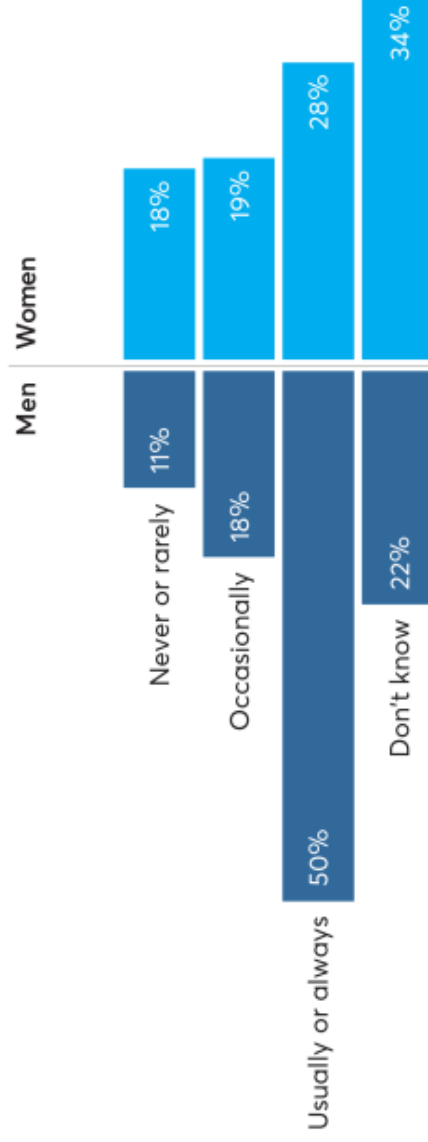
Many men don't see the most egregious and most hidden forms of sexual harassment



Note: Respondents could select more than one choice
 Source: "Sexual Harassment in the Professional Workplace," a SourceMedia Research survey, Feb.-Mar. 2018

Questions about fairness

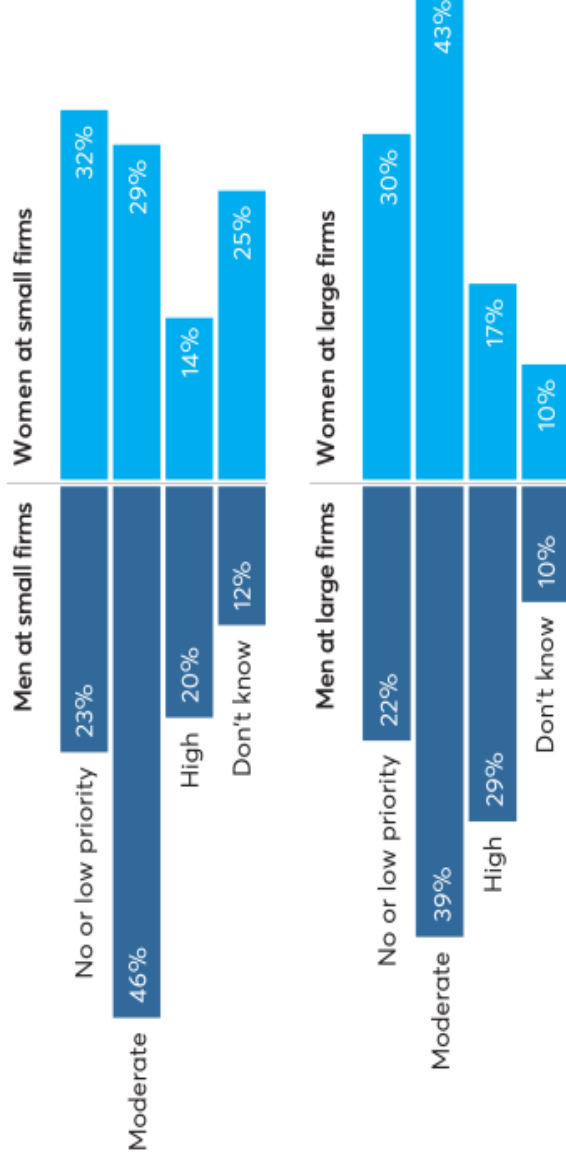
Are reported cases of sexual harassment dealt with fairly in the accounting profession?



Source: "Sexual Harassment in the Professional Workplace," a SourceMedia Research survey, Feb.-Mar. 2018

More likely to be a high priority for large firms

How much of a priority do accounting and tax professionals think sexual harassment is at organizations in their industry?

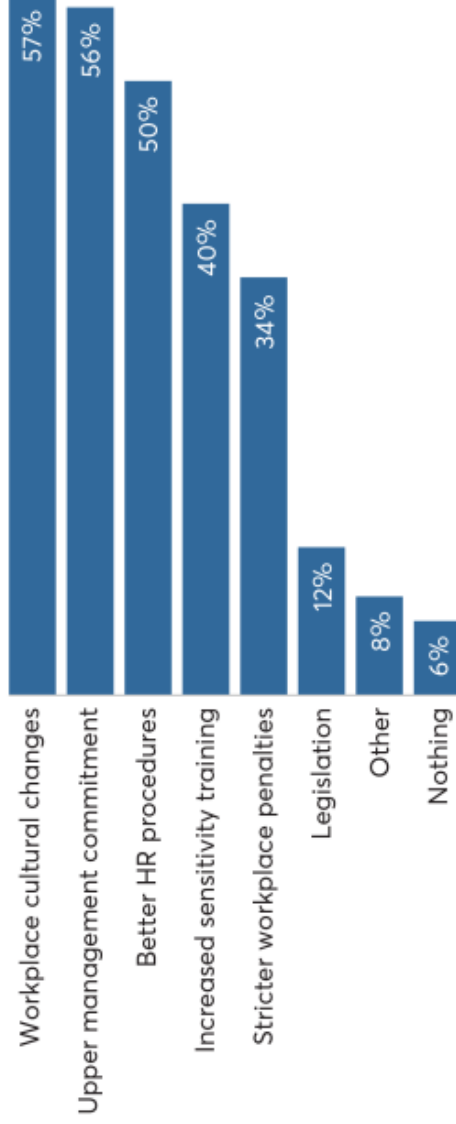


Note: Small firms are defined as those with less than 50 employees.

Source: "Sexual Harassment in the Professional Workplace," a SourceMedia Research survey, Feb.-Mar. 2018

First steps

What do tax and accounting professionals think needs to change to prevent sexual harassment in the workplace?

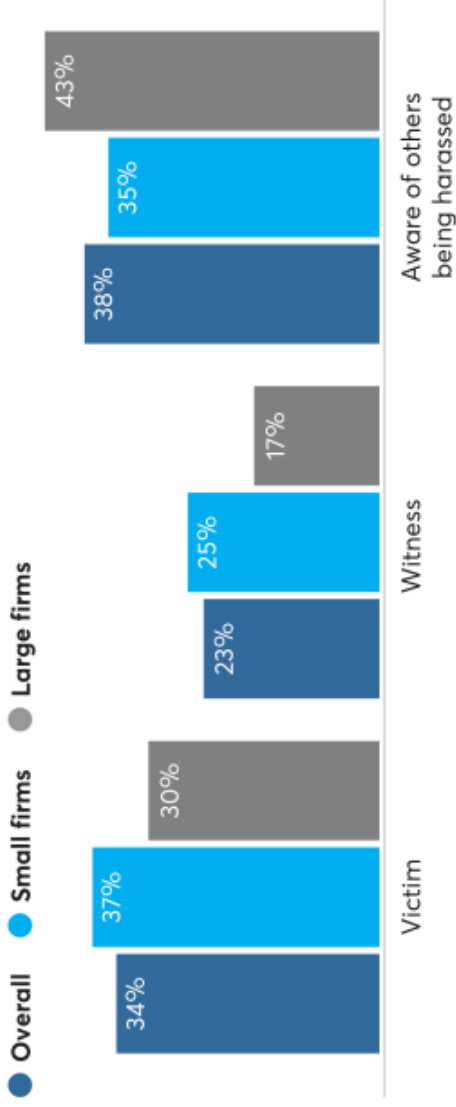


Note: Respondents could select more than one choice

Source: "Sexual Harassment in the Professional Workplace," a SourceMedia Research survey, Feb.-Mar. 2018

More widespread than expected

% of women in accounting who have encountered harassment



Note: Small firms are defined as those with less than 50 employees.
 Source: "Sexual Harassment in the Professional Workplace," a SourceMedia Research survey, Feb.-Mar. 2018

Ethical Challenges for Accountants

- Pressure from management
- Accountant as whistleblower
- Effects of greed
- Omission of financial records

Top 5 Business Challenges for Accounting Firms

1. Attracting and Developing New Business
2. Finding and Keeping Good People
3. Leadership and Internal Change Issues
4. Technology Issues
5. Commoditization of Services

Recent Headlines

- KPMG and PCAOB
- Marriott Cruise ship
- Facebook
- Others...

KPMG and PCAOB Investigation

- Personnel dismissed over information leak
- Advance warning



Marriott Cruise Ship Dilemma



Doing the Right Thing

What Would You Do?

Scenario #1 – What Would You Do?

- You are waiting in line for a cup of coffee and you ask the salesperson for a napkin. The salesperson is very rude to you.
- As you leave the store, you realize the cashier gave you change for \$20 but you only gave them \$10.

Poll Question



Coffee Shop - What Would You Do?

A. Go back in the store and return the money

B. Keep the money

Start the presentation to see live content. Still no live content? Install the app or get help at PollEv.com/app

Same Scenario in the coffee shop, except this time, you are in your car getting ready to drive away when you realize the mistake. What do you do?

Go back into the store and return the extra money

Keep the money

Start the presentation to see live content. Still no live content? Install the app or get help at PollEv.com/app

What if the scenario was reversed - the cashier only gave you change for a \$10 and you paid with a \$20. What do you do?

Return to store
and request
the difference

Do nothing and
continue on
with your day

Start the presentation to see live content. Still no live content? Install the app or get help at PollEv.com/app

Doing the Right Thing....

- What would you do?
- What is the right thing to do?
- How far away would you need to be to go back....?

Silent Saboteurs

- Scapegoating
- Abdicating
- Budget Games
- Overpromising
- Turf-guarding
- Endless meetings and memos
- Under delivering
- Risk aversion
- Sharp penciling



Ethical Leadership – Doing the Right Thing

1. Define Your Organization's Values
 - Global Technology Giant 3M
 - Personal Values and Organizational Values
 - What standards of behavior are really important to my company?
 - What specific values do I admire in certain leaders? Do I identify with those leaders?
 - Would I still live by those values, even if they put me at a competitive disadvantage?



Importance of Workplace Values

Some (possibly conflicting) examples of workplace values include:

- Being accountable.
- Making a difference.
- Focusing on detail.
- Delivering quality.
- Being completely honest.
- Keeping promises.
- Being reliable.
- Being positive.
- Meeting deadlines.
- Helping others.
- Being a great team member.
- Respecting company policy and rules, and respecting others.
- Showing tolerance.

Ethical Leadership – Doing the Right Thing

2. Set the Tone
 - It is what you do, not what you say
 - Establish consequences
 - Reward system as well

3. Recognize Ethical Dilemmas

HOW WE TREAT OUR PEOPLE

- Even basic matters such as compensation can be an ethical challenge
 - How much do you pay employees and how much stays with owners?
 - What level of benefits do you provide?

Recognizing Ethical Dilemmas

- Identify trigger situations
- Prepare in advance
- Listen to your inner voice
- Re-evaluate your decision before you act

THE CASE THAT MIGHT BE

- Partner left firm CGF and joined firm DCC
- Partner maintained contact with senior at CGF
- Partner requested senior to provide fee information and audit planning files for a CGF client
- Senior sent information using partner's CGF email address

Poll Question



Is it more important to be Effective or Efficient?

Effective

Efficient

Start the presentation to see live content. Still no live content? Install the app or get help at PollEv.com/app

Is it more important to be Efficient or Effective?

Efficiency Over Effectiveness

- Some people finish a task as soon as possible—maybe even before thinking of a solution.
- The most important thing is to complete it in a short period of time regardless if it is the most effective way to do it.
- End up working harder and longer to make up for this method's lack of effectiveness.

Effectiveness Over Efficiency

- People who choose effectiveness over efficiency tend to procrastinate.
- Typically wait until they have it all perfectly planned out and organized down to the most minute details before beginning anything.
- May not get it done quickly, but can accomplish the absolute task's goal as part of the bigger picture.

Balancing Effectiveness and Efficiency

- While efficiency may get things done at a lower cost and higher profit today, companies are only sustainable if they can effectively solve their customers' problems.
- Don't choose.
- Alternate between doing both to help you get your company to where it needs to go.

Ethics

- Ethics – refers to rules that govern behavior
- Business Ethics – refers to rules that govern behavior in commercial activity

Business Ethics – Two Views

1. The purpose of business is to make money – to maximize returns for investors and to increase its profits
2. Business is responsible to stakeholders: employees, customers, vendors, the local community, or even society as a whole.

Responsibility

A business that makes nothing
but money is a poor kind of
business.

Henry Ford





ECI ethics & compliance initiative™

THE STATE OF
ETHICS & COMPLIANCE
IN THE WORKPLACE

MARCH 2018



GLOBAL BUSINESS
ETHICS SURVEY™



Global Business Survey - 2018

THE GOOD NEWS

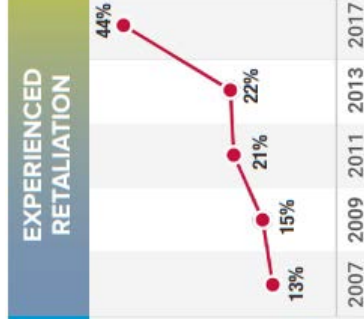
Rates of observed misconduct are on the decline, coming close to historic lows. Reporting of suspected wrongdoing has reached an historic high.

THE BAD NEWS

More employees feel pressure to cut corners than ever before, and rates of retaliation for reporting wrongdoing have doubled in the past two years. Pressure and retaliation are the two metrics most closely associated with trouble ahead.

THE WORST NEWS

Little progress has been made across the country to implement the most important strategy for mitigating wrongdoing. Misconduct drops substantially when organizations have strong cultures in place, yet the number of organizations with strong cultures has not changed.



Why Misconduct Is Not Reported...

Fear of not being considered a team player

Did not think corrective action would be taken

Fear of retribution

“No one else cares, why should I”

Did not trust the organization to keep report confidential.

5 Reasons to take the High Road in Business

1. Partners and vendors will trust you
2. Employees will work for you
3. Customers will buy from you
4. Competitors will buy from you
5. You will sleep better

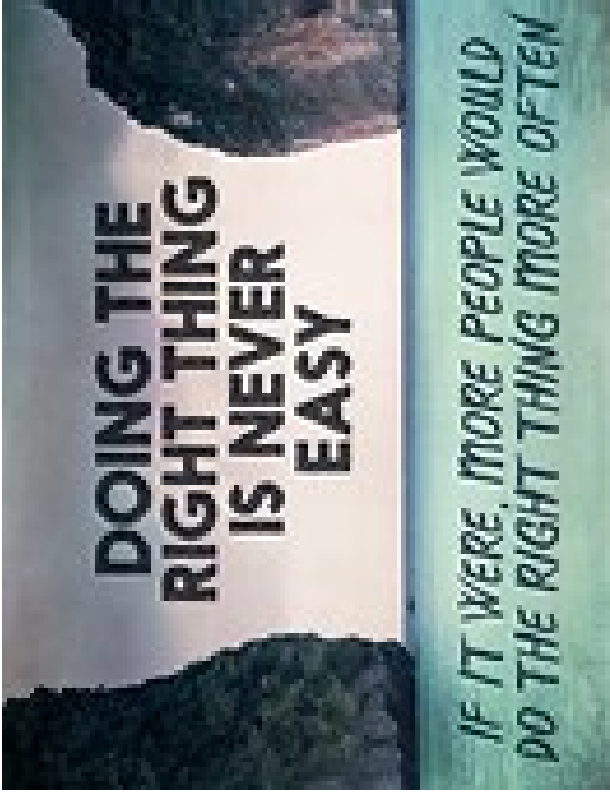
Front Page Test:

- Ask yourself: How would I feel if the course of action I am considering were reported on the front page of the local newspaper or blog? If you would be at all uncomfortable, the best course of action is *not* to do it.

Remember....

“Never lose sight of the fact that the most important yardstick of your success will be how you treat other people — your family, friends, and coworkers, and even strangers you meet along the way.”

Barbara Bush



What Can I Do?

Control Your Own Destiny Or Someone Else Will

“Good Instincts usually tell you what to do long before your head has figured it out.”

Michelle Burke

How much does water weigh



Contact Information

- Cal Christian: christianj@ecu.edu
- Hunter Cook: huntercook135@outlook.com
- Melissa Critcher: mcritcher@Carolina.rr.com

Thank You

