

## **OFFICIAL RELEASES**

### **Council Resolution**

Council voted on October 19, 2014 to approve changes to the "Council Resolution Concerning the Form of Organization and Name Rule" Set out in Appendix B to the AICPA Code of Professional Conduct.

The Council resolution, as amended, requires that AICPA members who are in firms that perform attest services or that use the designation "CPA" or "certified public accountant(s)" in the firm's name may only do so if the firm has certain characteristics, such as that a majority of the firm's ownership must belong to CPAs.

The approval given at Council on Sunday revises the list of attest services in Appendix B of the AICPA code to match the Uniform Accountancy Act (UAA) by including:

---Any engagement to be performed in accordance with PCAOB standards.

---Any examination, review, or agreed-upon procedures engagement to be performed in accordance with the Statements on Standards for Attestation Engagements (SSAE).

With the change, the AICPA Council demonstrated support for the UAA definition of attest and held AICPA members who perform SSAE engagements to the same CPA ownership requirements that the AICPA is encouraging the states to incorporate into their state accountancy laws.

Under the change, any firm that performs any examination, review, or agreed-upon procedures engagement under the SSAEs will be held to the same stringent requirements as, for example, firms performing review engagements under the Statements on Standards for Accounting and Review Services.

Adding the PCAOB engagements to the list creates consistency with a UAA definition that has existed since 2005 that included in the definition of attest any engagement performed in accordance with PCAOB standards. The text of the resolution is set out below. [Note: New language is underlined and text to be deleted is stricken.]

### **AICPA Code of Professional Conduct--- Appendix B**

#### **Council Resolution Concerning the Form of Organization and Name Rule**

[As adopted May 23, 1994; revised May 7, 1997, May 15, 2000, May 22, 2006 ~~and~~ August 2011, and October 19, 2014.]

A. RESOLVED: That with respect to a member engaged in public practice in a firm or organization which performs (1) any audit or other engagement performed in accordance with the Statements on Auditing Standards, (2) any review of a financial statement performed in accordance with the Statements on Standards for Accounting and Review Services, ~~or~~ (3) any examination of prospective financial information performed in accordance with the Statements on Standards for Attestation Engagements, (4) any engagement to be performed in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), or (5) any examination, review, or agreed upon procedures engagement to be performed in accordance with the SSAE, other than an examination described in subsection (A) (3), or which holds itself out as a firm of certified public accountants or uses the term "certified public accountant(s)" or the designation "CPA" in connection with its name, the characteristics of such a firm or organization under the "Form of Organization and Name Rule" (AICPA, Professional Standards, ET sec. 1.800.001) of the Code of Professional Conduct are as set forth below:

1. A majority of the ownership of the member's firm in terms of financial interests and voting rights must belong to CPAs. Any non-CPA owner would have to be actively engaged as a member of the firm or its affiliates. Ownership by investors or commercial enterprises not actively engaged as members of the firm or its affiliates is against the public interest and continues to be prohibited.
  2. There must be a CPA who has ultimate responsibility for all the services described in A above, compilation services and other engagements governed by Statements on Auditing Standards or Statements on Standards for Accounting and Review Services, and non-CPA owners could not assume ultimate responsibility for any such services or engagements.
  3. Non-CPA owners would be permitted to use the title "principal," "owner," "officer," "member" or "shareholder" or any other title permitted by state law, but not hold themselves out to be CPAs.
  4. A member shall not knowingly permit a person, whom the member has the authority or capacity to control, to carry out on his or her behalf, either with or without compensation, acts which, if carried out by the member, would place the member in violation of the rules. Further, a member may be held responsible for the acts of all persons associated with him or her in the public practice whom the member has the authority or capacity to control.
  5. Owners shall at all times own their equity in their own right and shall be the beneficial owners of the equity capital ascribed to them. Provision would have to be made for the ownership to be transferred, within a reasonable period of time, to the firm or to other qualified owners if the owner ceases to be actively engaged in the firm or its affiliates.
  6. Non-CPA owners would not be eligible for regular membership in the AICPA, unless they meet the requirements in BL section 2.2.1.
- B. RESOLVED: The characteristics of all other firms or organizations are deemed to be whatever is legally permissible under applicable law or regulation, except as otherwise provided in paragraph C below.
- C. RESOLVED: That with respect to a member engaged in public practice in a firm or organization which is not within the description of a firm or organization set forth in paragraph A above, but who performs compilations of financial statements performed in accordance with the Statements on Standards for Accounting and Review Services, the characteristics of such a firm or organization under the "Form of Organization and Name Rule" of the Code are as set forth below.
1. There must be a CPA who has ultimate responsibility for any financial statement compilation services provided by the firm and by each business unit performing such compilation services and non-CPA owners could not assume ultimate responsibility for any such services.
  2. Any compilation report must be signed individually by a CPA, and may not be signed in the name of the firm or organization.