

CHAPTER 13
RULES OF PROFESSIONAL ETHICS AND CONDUCT
[Prior to 5/1/02, see 193A—Chapter 11]

193A—13.1(542) Guiding interpretative principles. The public places trust and confidence in CPAs and LPAs and the services they provide; consequently, licensees have a duty to conduct themselves in a manner that will be beneficial to the public and that fosters such trust and confidence. The rules of professional ethics and conduct identify seven fundamental principles of conduct that are intended to govern licensees' professional performance whether they are practicing in a CPA firm, LPA firm, industry, not-for-profit organization, or a government, education or other setting. These principles, with the exception of independence, apply to all services and activities performed by licensees in all aspects of their professional conduct. Independence is a unique principle that applies only to those professional services where it is required in accordance with professional standards. Users of the licensee's services draw confidence from the knowledge that the licensee is bound to a framework which requires continued dedication to professional excellence and commitment to ethical behavior that will not be subordinated to personal gain.

13.1(1) Public interest.

a. The grant of a license indicates that an individual has met the criteria established by Iowa Code chapter 542 and the board to perform services in a manner that protects the public interest. The licensee must, therefore, have a keen consciousness of the public interest. The public consists of clients, credit grantors, governments, employers, investors, the business and financial community, and others who use the services of licensees.

b. Because the licensee is seen as a representative of the profession by those who retain or use the licensee's services, the licensee shall avoid conduct that might conflict with the public interest or erode public respect for, and confidence in, the profession.

13.1(2) Integrity.

a. Integrity is a character trait demonstrated by acting honestly and candidly and by not knowingly misrepresenting facts, accommodating deceit, or subordinating ethical principles. Acting with integrity is essential to maintaining credibility and public trust.

b. A licensee shall act with integrity in the performance of all professional activities in whatever capacity performed.

13.1(3) Objectivity.

a. Objectivity is a distinguishing feature of the accounting profession and is critical to maintaining the public's trust and confidence. It is a state of mind that imposes the obligation to be impartial and free of bias that may result from conflicts of interest or subordination of judgment. Objectivity requires a licensee to exercise an appropriate level of professional skepticism in carrying out all professional activities.

b. A licensee shall maintain objectivity in the performance of all professional activities in whatever capacity performed.

13.1(4) Due care.

a. Due care imposes the obligation to perform professional activities with concern for the best interest of those for whom the activities are performed and consistent with the profession's responsibility to the public. It is essential to preserving the public's trust and confidence. Due care requires the licensee to discharge professional responsibilities with reasonable care and diligence and to adequately plan and supervise all professional activities for which the licensee is responsible.

b. A licensee shall act with due care in the performance of all professional activities in whatever capacity performed.

13.1(5) Competence.

a. Competence is derived from a combination of education and experience. It begins with a mastery of the common body of knowledge, skills, and abilities and requires a commitment to lifelong learning and professional improvement. A licensee shall possess a level of competence, sound

professional judgment, and proficiency to ensure that the quality of the licensee's activities meets the high level of professionalism required by these principles.

b. A licensee shall be competent in the performance of all professional activities, in whatever capacity performed, and comply with applicable professional standards.

13.1(6) Confidentiality.

a. A licensee has an obligation to maintain and respect the confidentiality of information obtained in the performance of all professional activities. Maintaining such confidentiality is vital to the proper performance of the licensee's professional activities.

b. This obligation continues after the termination of the relationship between the licensee and the client or employer and extends to information obtained by the licensee in professional relationships with prospective clients and employers.

c. This principle shall not be construed to prohibit a licensee from disclosing information as required to meet professional, regulatory or other legal obligations.

13.1(7) Independence.

a. Independence, where required by professional standards, is essential to establishing and maintaining the public's faith and confidence in, and reliance on, information on which the licensee reported.

b. A licensee in the practice of public accounting shall be independent in fact and appearance when engaged to provide services where independence is required by professional standards. Independence in fact is the state of mind that permits a licensee to perform an attest service without being affected by influences that compromise professional judgment, thereby allowing the licensee to act with integrity and exercise objectivity and professional skepticism. Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, to conclude that the integrity, objectivity or professional skepticism of a licensee had been compromised.

[ARC 9003B, IAB 8/11/10, effective 1/1/11]

193A—13.2(542) Scope.

13.2(1) The following rules of professional ethics and conduct have been adopted by the board as authorized by Iowa Code chapter 542, in particular, sections 542.4(9) "e" through "p" and "t." These rules complement the grounds for discipline set out in 193A—Chapter 14. These rules cover a broad range of behavior and do not enumerate every possible unethical act or act of misconduct.

13.2(2) In the interpretation and enforcement of the rules of professional ethics and conduct, the board may give consideration, but not necessarily dispositive weight, to relevant interpretations, rulings and opinions issued by other state boards of accountancy and by appropriately authorized committees on ethics of professional organizations.

[ARC 9003B, IAB 8/11/10, effective 1/1/11]

193A—13.3(542) Applicability.

13.3(1) The rules of professional ethics and conduct which follow rest upon the premise that the reliance of the public in general and of the business community in particular on sound financial reporting and on the implication of professional competence inherent in the authorized use of a legally restricted title relating to the practice of public accountancy imposes on persons engaged in such practice certain obligations both to their clients and to the public. These obligations, which the rules of professional ethics and conduct are intended to enforce where necessary, include the obligation to maintain independence of thought and action and a continued commitment to learning and professional improvement, to observe applicable generally accepted accounting principles and generally accepted auditing standards, to promote public interest through sound and informative financial reporting, to hold the affairs of clients in confidence, and to maintain high standards of personal conduct in all professional activities in whatever capacity performed.

13.3(2) Acceptance of a certificate as a CPA or a license as an LPA to practice public accounting involves acceptance by the CPA or LPA of the obligations set forth in subrule 13.3(1) and accordingly a duty to abide by the rules of professional ethics and conduct.

13.3(3) The rules of professional ethics and conduct have application to all professional services performed by all CPAs and LPAs whether or not they are engaged in the practice of public accountancy, except where the wording of a rule clearly indicates that the applicability is more limited.

13.3(4) A CPA or LPA who is engaged in the practice of public accountancy outside the United States will not be subject to discipline by the board for departing, with respect to such foreign practice, from any of the rules, so long as the CPA's or LPA's conduct is in accordance with the standards of professional conduct applicable to the practice of public accountancy in the country in which the CPA or LPA is practicing. However, even in such a case, if a CPA's or LPA's name is associated with financial statements in such manner as to imply that the CPA or LPA is acting as an independent public accountant and under circumstances that would entitle the reader to assume that United States practices are followed, the CPA or LPA will be expected to comply with subrules 13.4(3) (engagement standards) and 13.4(16) (accounting principles).

13.3(5) A CPA or LPA may be held responsible for compliance with the rules of professional ethics and conduct by all persons associated with the accountant in the practice of public accounting who are either under the accountant's supervision or are licensees, partners or shareholders in the accountant's practice.

13.3(6) CPAs and CPA firms exercising a practice privilege in Iowa or for a client with a home office in Iowa are subject to the professional standards set forth in this chapter.
[ARC 9003B, IAB 8/11/10, effective 1/1/11]

193A—13.4(542) Rules applicable to all CPAs and LPAs.

13.4(1) *Integrity, objectivity and conflicts of interest.*

a. A CPA or LPA shall not knowingly misrepresent facts and, when engaged in the performance of professional services, shall not subordinate judgment to others or allow professional judgment and objectivity to be impaired by self-interest or by a conflict of interest between the licensee and a client or between clients. In tax practice, a licensee may resolve doubt in favor of the client as long as there is reasonable support for that position.

b. When offering or rendering accounting or related financial, tax, or management advice, a CPA or LPA shall be objective and shall not place the CPA's or LPA's own financial interests or the financial interests of a third party ahead of the legitimate financial interests of the client or the public in any context in which a client or the public can reasonably expect objectivity from one using the CPA or LPA title.

c. When faced with a conflict of interest that may impair professional judgment and objectivity, the licensee shall decline or cease the engagement, take steps to remove the conflict or, when reasonably feasible and appropriate under the circumstances and consistent with independence requirements, disclose the conflict or potential conflict and secure from all clients informed consent to proceed with the engagement. In no event, however, shall a licensee proceed with an engagement through informed consent when the nature of the conflict impairs the licensee's objectivity whether or not the client consents.

d. A conflict of interest may arise, for instance, when a licensee represents multiple clients whose interests are adverse to each other. Whether a licensee can provide competent, diligent, and objective representation to clients whose interests are or may be adverse to each other's interests or the interests of the licensee, with informed consent, will depend on the factual circumstances of the engagement. Licensees are cautioned that, when in doubt as to whether informed consent will effectively address an actual or potential conflict of interest, the most prudent course is to decline or cease the engagement and to advise one or more of the multiple clients to seek alternative professional representation.

13.4(2) *Professional competencies and compliance with applicable technical standards.* A CPA or LPA who accepts a professional engagement implies that the CPA or LPA has the necessary competence to complete the engagement according to professional standards. All CPAs and LPAs shall comply with the following general standards as interpreted by bodies designated by the American Institute of Certified Public Accountants and must justify any departure.

a. *Professional competence.* A CPA or LPA shall undertake only those engagements which the CPA, LPA or firm can reasonably expect to complete with professional competence. Competence relates

both to knowledge of the profession's standards, techniques and the technical subject matter involved and to the capability to exercise sound judgment in applying such knowledge to each engagement.

b. Due professional care. A CPA or LPA shall exercise due professional care in the performance of an engagement.

c. Planning and supervision. A CPA or LPA shall adequately plan and supervise an engagement.

d. Sufficient relevant data. A CPA or LPA shall obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to an engagement.

13.4(3) Engagement standards. Unless they have complied with applicable generally accepted engagement standards, CPAs and LPAs shall not permit their names to be linked with a report associated with any attest or compilation service. The board will consider the American Institute of Certified Public Accountants Professional Standards, Public Company Accounting Oversight Board, International Accounting Standards Board, Statements on Auditing Standards, and Statements on Standards for Accounting and Review Services as sources of interpretations of generally accepted engagement standards.

13.4(4) Discreditable conduct. A CPA or LPA shall not commit any act that reflects adversely on the CPA's or LPA's fitness to engage in the practice of public accountancy. The board may consider discipline by any other agency or jurisdiction when determining probable cause to take action against a CPA or LPA for acts discreditable. Conduct discreditable to the public accounting profession is further defined in 193A—subrule 14.3(12).

13.4(5) Requirements of governmental bodies, commissions, or other regulatory agencies.

a. Many governmental bodies, commissions, or other regulatory agencies have established requirements, such as audit standards, guides, rules and regulations, that CPAs are required to follow in preparation of reports, financial statements or related information, such as management's discussion or analysis, and in performing attest or similar services for entities subject to the jurisdiction of the governmental bodies, commissions, or regulatory agencies. For example, the Securities and Exchange Commission, Government Accountability Office, office of auditor of state, state insurance division and other regulatory agencies have established such requirements.

b. A CPA shall not prepare reports, financial statements or related information for the purposes of reporting to such bodies, commissions, or regulatory agencies, unless the CPA agrees to follow the requirements of such organizations in addition to generally accepted auditing standards, where applicable, unless the CPA discloses in the financial statements or the accountant's report that such requirements were not followed.

13.4(6) Confidentiality. A CPA or LPA shall not, without the consent of the client, disclose any confidential information pertaining to the client obtained in the course of performing professional services. This rule does not:

a. Relieve a CPA or LPA of any obligations under subrules 13.4(3) (engagement standards) and 13.4(16) (accounting principles); or

b. Affect in any way a CPA's or LPA's obligation to comply with a validly issued subpoena or summons enforceable by order of a court; or

c. Prohibit disclosures in the course of a peer review of a CPA's or LPA's professional services; or

d. Preclude a CPA or LPA from responding to any inquiry made by the board or any investigative or disciplinary body established by law or formally recognized by the board. Members of the board and its peer reviewers, staff and other agents shall not disclose any confidential information which comes to their attention from a CPA or LPA in disciplinary proceedings or otherwise in carrying out their responsibilities, except that they may furnish such information to an investigative or disciplinary body.

13.4(7) Records.

a. Definitions.

"*Client-provided records*" means all documents or written or electronic material provided to the licensee, or obtained by the licensee in the course of the licensee's representation of the client, that preexisted the retention of the licensee by the client.

“*Client records prepared by the licensee*” means accounting or other records (tax returns, general ledgers, subsidiary journals, and supporting schedules such as detailed employee payroll records and depreciation schedules) that the licensee was engaged to prepare for the client.

“*Licensee’s working papers*” means, but is not limited to, supporting records, audit programs, analytical review schedules, and statistical sampling results, analyses, and schedules prepared by the client at the request of the licensee.

“*Supporting records*” means information not reflected in the client’s books and records that are otherwise not available to the client with the result that the client’s financial information is incomplete. For example, supporting records include adjusting, closing, combining, or consolidating journal entries (including computations supporting such entries) that are produced by the licensee during an engagement (for example, an audit).

b. Furnishing client records.

(1) A CPA or LPA shall furnish within a reasonable time of a client’s or former client’s request:

1. All client-provided records, including any accounting or other records belonging to, or obtained from or on behalf of, the client which the CPA or LPA removed from the client’s premises or received for the client’s account, including a copy of all disclosures required by subrule 13.4(19). The CPA or LPA may make and retain copies of such documents when they form the basis for work done by the CPA or LPA.

2. All client records prepared by the CPA or LPA and supporting records to the extent that such records would ordinarily constitute part of the client’s books and records and are not otherwise available to the client or easily reconstructed by the client or successor CPA or LPA. Examples of such records include depreciation schedules and LIFO inventory work papers. Whether a particular record falls into this category is a mixed question of law and fact. When requested by a client or former client, the CPA or LPA has the burden to demonstrate that a particular record does not fall within this category.

(2) A “reasonable time” for furnishing clients or former clients the records described in paragraph 13.4(7) “a” is dependent upon the facts and circumstances. A CPA or LPA shall strive to be as responsive as the situation requires in light of the possible adverse consequence of delay to the client or former client. As a general rule, the CPA or LPA shall provide such records within 30 days of a written request.

13.4(8) Records retention. A CPA or LPA shall comply with all professional standards on records retention applicable to particular engagements including, but not limited to, standards adopted by recognized standards-setting bodies such as the American Institute of Certified Public Accountants, the Public Company Accounting Oversight Board, the Comptroller General of the United States, the Auditing Standards Board, the Internal Revenue Service, or other applicable regulatory body.

13.4(9) Nonpayment of fees.

a. General rule. A CPA or LPA shall not withhold the records described in paragraph 13.4(7) “b” from a client or former client based on nonpayment of fees. However, if a CPA or LPA has already issued a tax return, report or other record to a client or former client, the CPA or LPA may, but is not required to, request payment of outstanding fees prior to providing a second copy of such records.

b. Copy expenses. A licensee may, but is not required to, charge the actual cost of furnishing electronic or paper copies of records if consistent with the engagement arrangements with the client.

c. Incomplete engagement. Nothing in this subrule requires a licensee to complete an engagement if, under the engagement arrangement, completion is contingent upon payment of fees. For example, if a client engages a licensee to complete a tax return and the completion of the engagement is contingent upon payment of fees, the licensee is not required to complete the engagement and furnish the client records prepared by the licensee or associated supporting records if the client does not pay as agreed. In that event, the licensee is only required to return to the client those records constituting client-provided records. If, however, the licensee completes the engagement and furnishes the client a tax return to file or files the tax return with taxing authorities, the licensee is required to comply with paragraph 13.4(9) “a” whether or not fully paid.

13.4(10) Cooperation with board inquiry. A CPA or LPA shall, when requested, respond to communications from the board within 30 days of the mailing of such communications by certified mail.

13.4(11) *Violation of tax laws.* A CPA or LPA shall not violate any tax laws in handling the CPA's or LPA's personal business affairs, or the business affairs of an employer or client, or the business affairs of any company owned by the CPA or LPA.

13.4(12) *Reporting convictions, judgments, and disciplinary actions.* In addition to any other reporting requirement in Iowa Code chapter 542 or these rules, a CPA or LPA shall notify the board within 30 days of:

a. Imposition upon the CPA or LPA of discipline including, but not limited to, censure, reprimand, sanction, probation, civil penalty, fine, consent decree or order, or suspension, revocation or modification of a license, certificate, permit or practice rights by:

(1) The SEC, Public Company Accounting Oversight Board, or IRS (by the Director of Practice);
or

(2) Another state board of accountancy for cause other than failure to pay a professional fee by the due date or failure to meet the continuing education requirements of another state board of accountancy;
or

(3) Any other federal or state agency regarding the CPA's or LPA's conduct while rendering professional services; or

(4) Any foreign authority or credentialing body that regulates the practice of accountancy;

b. Occurrence of any matter that must be reported by the CPA or LPA to the Public Company Accounting Oversight Board pursuant to Sarbanes-Oxley Section 102(b)(2)(f) and Public Company Accounting Oversight Board rules and forms adopted pursuant thereto;

c. Any judgment, award or settlement of a civil action or arbitration proceeding in which the CPA or LPA was a party if the matter included allegations of gross negligence, violation of specific standards of practice, fraud, or misappropriation of funds in the practice of accounting; provided, however, licensed firms shall notify the board regarding civil judgments, settlements or arbitration awards directly involving the firm's practice of public accounting in this state; or

d. Criminal charges, deferred prosecution or conviction or plea of no contest to which the CPA or LPA is a defendant if the crime is:

(1) Any felony under the laws of the United States or any state of the United States or any foreign jurisdiction; or

(2) Any crime, including a misdemeanor, if an essential element of the offense is dishonesty, deceit or fraud, as more fully described in Iowa Code section 542.5, subsection 2.

13.4(13) *Firm's duty to report.* The CPA or LPA designated by each firm as responsible for the proper licensure of the firm or registration of an office of the firm shall report any matter reportable under this rule to which a nonlicensee owner with a principal place of business in this state is a party.

13.4(14) *Advertising.* A CPA or LPA shall not use or participate in the use of any form of public communication having reference to professional services that contains a false, fraudulent, misleading, deceptive or unfair statement or claim. A false, fraudulent, misleading, deceptive or unfair statement or claim includes, but is not limited to, a statement or claim which:

a. Contains a misrepresentation of fact; or

b. Is likely to mislead or deceive because it fails to make full disclosure of relevant facts; or

c. Contains any testimonial or laudatory statement, or other statement or implication that the CPA's or LPA's professional services are of exceptional quality; or

d. Is intended to likely create false or unjustified expectations of favorable results; or

e. Implies educational or professional attainments or licensing recognition not supported in fact;
or

f. States or implies that the CPA or LPA has received formal recognition as a specialist in any aspect of the practice of public accountancy, if this is not the case; or

g. Represents that professional services can or will be competently performed for a stated fee when this is not the case or makes representations with respect to fees for professional services that do not disclose all variables affecting the fees that will in fact be charged; or

h. Contains other representations or applications that in reasonable probability will cause an ordinarily prudent person to misunderstand or be deceived.

13.4(15) *Misleading firm names.*

a. A firm name is misleading within the meaning of Iowa Code section 542.13 if, among other things:

- (1) The firm name implies the existence of a corporation when the firm is not a corporation.
- (2) The firm name implies the existence of a partnership when there is not a partnership (e.g., “Smith & Jones, CPAs” or “Smith and Jones, LPAs”).
- (3) The CPA firm name includes the name of a person who is not a CPA if the title “CPAs” or “Certified Public Accountants” is included in the firm name.
- (4) The LPA firm name includes the name of a person who is not an LPA if the title “LPAs” or “Licensed Public Accountants” is included in the firm name.
- (5) The firm name contains any wording that would be a violation of subrule 13.4(14) (advertising).

b. Names of one or more past partners or shareholders may be included in the firm name of a partnership or corporation or its successor, and a partner surviving the death or withdrawal of all other partners may continue to practice under a partnership name for up to two years after becoming a sole practitioner.

13.4(16) *Accounting principles.* A CPA or LPA shall not state in the CPA’s or LPA’s report that the financial or other information is presented in conformity with generally accepted accounting principles if such report contains any departure from such accounting principles which has a material effect on the report taken as a whole, unless the CPA or LPA can demonstrate that by reason of unusual circumstances the report would otherwise have been misleading. In such cases, the accountant’s report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle(s) would result in a misleading statement. The board will consider the pronouncements issued by the Financial Accounting Standards Board and its predecessor entities as sources of interpretations of generally accepted accounting principles.

13.4(17) *Forecasts.* A CPA or LPA shall not in the performance of professional services permit the CPA’s or LPA’s name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the CPA or LPA vouches for the achievability of the forecast.

13.4(18) *Competence.* A CPA or LPA shall not undertake any engagement for the performance of professional services which the CPA or LPA or the CPA’s or LPA’s firm cannot reasonably expect to complete with due professional competence, including compliance, where applicable, with subrules 13.4(3) (engagement) and 13.4(16) (accounting principles). A CPA or LPA who accepts a professional engagement implies that the CPA or LPA has the necessary competence to complete the engagement according to professional standards, applying the CPA’s or LPA’s knowledge and skill with reasonable care and diligence, but the CPA or LPA does not assume a responsibility for infallibility of knowledge or judgment.

13.4(19) *Commissions.* A CPA or LPA may accept a commission subject to the prohibitions set forth in Iowa Code section 542.13(15) and the restrictions set forth in these rules.

a. A CPA or LPA engaged in the practice of public accounting must act in the best interests of the client and shall not allow integrity, objectivity or professional judgment to be impaired by the self-interest a commission-based fee may create.

b. A CPA or LPA who anticipates receiving a commission in connection with the recommendation, referral or sale of a product or service must establish such procedures as are reasonably necessary to avoid the prohibitions set forth in Iowa Code section 542.13(15).

c. A CPA or LPA engaged in the practice of public accounting who is paid or expects to be paid a commission shall disclose that fact to any person or entity to which the CPA or LPA recommends, refers or sells a product or service to which the commission relates.

d. To ensure full and effective disclosure, a CPA or LPA shall substantially adhere to the following guidelines when recommending, referring or selling a product or service to which a commission relates:

- (1) The disclosure shall be in writing, signed and dated by the person to whom a product or service is recommended, referred or sold, and a copy shall be provided to the client.
- (2) The disclosure shall be made at or prior to the time the product or service is recommended, referred or sold.

(3) The disclosure shall be legible, clear and conspicuous, and on a separate form.

(4) A copy of the disclosure shall be retained by the CPA or LPA for as long as the CPA or LPA deems appropriate to the transaction; however, the board recommends a minimum of three years.

(5) In the event of a continuing engagement or series of related transactions involving similar products or services, one written disclosure may cover more than one recommendation, referral or sale as long as the disclosure is provided at least annually and is not misleading.

e. This rule does not prohibit payments for the purchase of all, or a material part, of an accounting practice, or retirement payments to persons formerly engaged in the practice of public accountancy, or payments to heirs or estates of such persons.

13.4(20) *Contingent fees.* A CPA or LPA may accept contingent fees as defined in Iowa Code section 542.3(9) subject to the prohibitions set forth in Iowa Code section 542.13(15) and restrictions set forth in these rules.

13.4(21) *Solicitation.* A CPA or LPA shall not by any direct personal communication solicit an engagement to perform professional services:

a. If the communication would violate subrule 13.4(14) (advertising) if it were a public communication; or

b. By the use of coercion, duress, compulsion, intimidation, threats, overreaching, or harassing conduct; or

c. If the solicitation communication contains proposals which would improperly disclose confidential information or violate a professional standard established in this chapter.

13.4(22) *Discrimination and harassment in employment practices.* Whenever a CPA or LPA is determined by a court of competent jurisdiction to have violated any of the antidiscrimination laws of the United States or any state or municipality thereof, including those related to sexual and other forms of harassment, or has waived or lost the CPA's or LPA's right of appeal after a hearing by an administrative agency, the CPA or LPA will be presumed to have committed an act discreditable to the profession.

13.4(23) *Preparation of financial statements or records.* A CPA or LPA shall not:

a. Make, or permit or direct another to make, materially false or misleading entries in the financial statements or records of an entity;

b. Fail to correct an entity's financial statements that are materially false or misleading when the CPA or LPA has the authority to record an entry; or

c. Sign, or permit or direct another to sign, a document containing materially false or misleading information.

13.4(24) *Solicitation or disclosure of CPA examination questions and answers.* A CPA or LPA who solicits or knowingly discloses a Uniform CPA Examination question(s) or answer(s) without the written authorization of the American Institute of Certified Public Accountants shall be considered to have committed an act discreditable to the profession.

13.4(25) *Falsely reporting continuing professional education (CPE).* A CPA or LPA shall be considered to have committed an act discreditable to the profession when the CPA or LPA falsely reports CPE credits during the CPA's or LPA's required reporting renewal or board CPE audit.

13.4(26) *Mandatory ethics continuing professional education.* Every CPA certificate holder or LPA license holder shall complete a minimum of four hours of continuing professional education devoted to ethics and rules of professional conduct during the three-year period ending December 31 or June 30, prior to the July 1 annual renewal date. This requirement is more fully described in 193A—subrule 10.7(2).

[ARC 9003B, IAB 8/11/10, effective 1/1/11; ARC 2152C, IAB 9/30/15, effective 11/4/15]

193A—13.5(542) Rules applicable to CPAs and LPAs who use the titles in offering or rendering products or services to clients.

13.5(1) *Use of title.*

a. Certified public accountant. Only a person who holds an active, unexpired certificate and who complies with the requirements of 193A—Chapter 5, Licensure Status and Renewal of Certificates and

Licenses, and Chapter 10, Continuing Education, or a person lawfully exercising a practice privilege under Iowa Code section 542.20 may use or assume the title “certified public accountant” or the abbreviation “CPA” or any other title, designation, words, letters, abbreviation, sign, card or device tending to indicate that such person is a certified public accountant.

b. Licensed public accountant. Only a person holding a license as a licensed public accountant shall use or assume the title “licensed public accountant” or the abbreviation “LPA” or any other title, designation, words, letters, abbreviations, sign, card, or device tending to indicate that such person is a licensed public accountant.

13.5(2) Forms of practice.

a. Certified public accountant firms. A sole proprietorship, corporation, partnership, limited liability company, or any other form of organization shall apply for a permit to practice under Iowa Code section 542.7 and these rules as a firm of certified public accountants in order to use the title “CPAs” or “CPA firm,” as more fully described in 193A—Chapter 7.

b. Licensed public accounting firms. A sole proprietorship, corporation, partnership, limited liability company, or any other form of organization shall apply for a permit to practice under Iowa Code section 542.8 and these rules as a firm of licensed public accountants in order to use the title “LPAs” or “LPA firm,” as more fully described in 193A—Chapter 8.

13.5(3) Acting through others. A CPA or LPA shall not permit others to carry out on the CPA’s or LPA’s behalf, either with or without compensation, acts which, if carried out by the CPA or LPA, would violate the rules of professional ethics and conduct.

[ARC 9003B, IAB 8/11/10, effective 1/1/11]

193A—13.6(542) Audit, review and other attest services.

13.6(1) Definitions.

“Attest” or “attest service” means providing any of the following services:

1. An audit or other engagement to be performed in accordance with the statements on auditing standards.
2. A review of a financial statement to be performed in accordance with the statements on standards for accounting and review services.
3. Any engagement to be performed in accordance with the statements on standards for attestation engagements.
4. Any engagement to be performed in accordance with the auditing standards of the Public Company Accounting Oversight Board.

The standards specified in the definition of “attest” are those standards adopted by the board, by rule, by reference to the standards developed for general application by the American Institute of Certified Public Accountants, the Public Company Accounting Oversight Board, or other recognized national accountancy organization.

“Attest engagement team” means the team of individuals participating in attest service, including those who perform concurring or second partner reviews. The “attest engagement team” includes all employees and contractors retained by the firm who participate in attest service, irrespective of their functional classification.

“Audit” means the procedures performed in accordance with applicable auditing standards for the purpose of expressing or disclaiming an opinion on the fairness with which the historical financial or other information is presented in conformity with generally accepted accounting principles, another comprehensive basis of accounting, or basis of accounting described in the report.

“Review” means to perform inquiry and analytical procedures that permit a CPA to determine whether there is a reasonable basis for expressing limited assurance that there are no material modifications that should be made to financial statements in order for them to be in conformity with generally accepted accounting principles or, if applicable, with another comprehensive basis of accounting.

13.6(2) Practice privilege. All audit, review, and other attest services performed in Iowa or for a client with a home office in Iowa must be performed through a CPA firm that holds an active Iowa firm

permit to practice; provided that, an out-of-state CPA firm exercising a practice privilege may perform review services in Iowa or for a client with a home office in Iowa without first obtaining a firm permit to practice in Iowa as long as the firm complies with Iowa Code section 542.20, subsections 5 and 6, and associated rules. Unless Iowa certification is specifically required by a governmental body or client, the individual CPAs performing such attest services may either hold an active Iowa CPA certificate or exercise a practice privilege as more fully described in Iowa Code section 542.20. LPAs and LPA firms are not authorized to perform attest services.

13.6(3) *Professional skepticism.* A CPA shall not subordinate the CPA's professional judgment to a non-CPA. Professional judgment requires auditors to exercise professional skepticism, which is an attitude that includes a questioning mind and a critical assessment of evidence. Auditors use the knowledge, skills, and experience called for by their profession to diligently perform, in good faith and with integrity, the gathering of evidence and the objective evaluation of the sufficiency, competency, and relevancy of evidence. Since evidence is gathered and evaluated throughout the assignment, professional skepticism shall be exercised throughout the assignment.

13.6(4) *Independence.* A CPA or CPA firm shall not issue a report on a client in such a manner as to imply that the CPA is acting as an independent public accountant with respect thereto unless the CPA is independent with respect to such client. Independence will be considered to be impaired if, for example:

a. During the period of the professional engagement, or at the time of expressing an opinion, a CPA:

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

(2) Had any joint, closely held business investment with the client or any officer, director or principal stockholder which was material to the CPA; or

(3) Had any loan to or from the client or any officer, director or principal stockholder thereof other than loans of the following kinds made by a financial institution under normal lending procedures, terms and requirements: loans which are not material in relation to the net worth of the CPA; home mortgages; and other secured loans, except those secured solely by a guarantee of the CPA.

b. During the period covered by the reports, during the period of the professional engagement, or at the time of expressing an opinion, the licensee:

(1) Was connected with the client as a promoter, underwriter or voting trustee, a director or officer or in any capacity equivalent to that of a member of management or of an employee; or

(2) Was a trustee for any pension or profit-sharing trust of the client.

The foregoing examples are not intended to be all-inclusive.

13.6(5) *Professional judgment.* A CPA shall not, in the performance of audit, review or other attest services, knowingly misrepresent facts, subordinate judgment to others, or allow professional judgment and objectivity to be impaired by self-interest or by a conflict of interest between the licensee and a client or between clients.

13.6(6) *Retention period of attest documentation and working papers.* Unless otherwise required by applicable law, a CPA or CPA firm shall retain attest documentation and attest working papers for seven years, measured by the report date. If the CPA or CPA firm is notified within the seven-year period of a board investigation or disciplinary proceeding, criminal investigation or proceeding, or other governmental investigation or proceeding, which stems from or relates to the documents at issue, such attest documentation and attest working papers shall not be destroyed until the firm has been notified in writing that the investigation or proceeding has been closed or otherwise fully resolved or until seven years from the report date, whichever period is longer.

13.6(7) *Peer review required.* As a condition of renewal of a permit to practice as a CPA firm, the firm shall undergo, at least once every three years, a peer review conducted under the provisions outlined in 193A—Chapter 11 and Iowa Code section 542.7.

13.6(8) *Failure to follow standards, procedures or other requirements in governmental audits.* Engagements for audits of governmental grants, governmental units or other recipients of governmental moneys typically require that such audits be in compliance with government audit

standards, guides, procedures, statutes, rules, and regulations, in addition to generally accepted auditing standards. If a CPA has accepted such an engagement and undertakes an obligation to follow specified government audit standards, guides, procedures, statutes, rules and regulations, in addition to generally accepted auditing standards, the CPA is obligated to follow such requirements.

[ARC 9003B, IAB 8/11/10, effective 1/1/11; ARC 0174C, IAB 6/13/12, effective 7/18/12; ARC 0413C, IAB 10/31/12, effective 12/5/12; ARC 2152C, IAB 9/30/15, effective 11/4/15]

193A—13.7(542) Compilation.

13.7(1) *Who can perform.* Only a CPA licensed under Iowa Code section 542.6 or 542.19, an LPA licensed under Iowa Code section 542.8, or a CPA exercising a practice privilege under Iowa Code section 542.20 shall issue a report in standard form upon a compilation of financial information or otherwise provide compilation services in Iowa or for a client with a home office in Iowa. (Refer to rule 193A—6.4(542).)

13.7(2) *Peer review.* All individuals described in 193A—subrule 6.4(1) shall satisfy peer review requirements, individually or through a peer review of a CPA or LPA firm holding a permit to practice pursuant to Iowa Code section 542.7 or 542.8 or a CPA firm exercising a practice privilege under Iowa Code section 542.20.

13.7(3) *Mandatory financial statement presentation continuing professional education.* In each renewal period in which compilation reports are issued, every CPA certificate holder or LPA license holder who is responsible for supervising compilation services or who signs or authorizes someone to sign the accountant's compilation report on the financial statements on behalf of a firm shall complete, as a condition of certificate or license renewal, a minimum of eight hours of continuing education devoted to financial statement presentation every three years, such as courses covering the Statements on Standards for Accounting and Review Services (SSARS) and accounting and auditing updates. This requirement is more fully described in 193A—subrule 10.7(1).

13.7(4) *Compilation standards.*

a. A compilation shall be performed by a person or persons having adequate technical training and proficiency to compile prospective financial statements.

b. Due professional care shall be exercised in the performance of the compilation and the preparation of the report.

c. The work shall be adequately planned, and assistants, if any, shall be properly supervised.

d. Applicable compilation procedures shall be performed as a basis for reporting on the compiled financial statements.

e. The report based on the licensee's compilation shall include the following:

(1) An identification of the financial statements presented by the responsible party;

(2) A statement that the licensee has compiled the financial statements in accordance with standards established by the American Institute of Certified Public Accountants;

(3) The manual or printed signature of the licensee's firm;

(4) The date of the compilation report.

13.7(5) *Compilation standards for prospective financial statements.*

a. Applicable compilation procedures shall be performed as a basis for reporting on the compiled prospective financial statements.

b. In addition to the four items included in paragraph 13.7(4) "e," the report based on the licensee's compilation shall include the following:

(1) A statement that a compilation is limited in scope and does not enable the licensee to express an opinion or any other form of assurance on the prospective financial statements or the assumptions;

(2) A caveat that the prospective results may not be achieved;

(3) A statement that the licensee assumes no responsibility to update the report for events and circumstances occurring after the date of the report.

[ARC 9003B, IAB 8/11/10, effective 1/1/11]

193A—13.8(542) Rules applicable to tax practice.

13.8(1) CPAs, LPAs, and persons who are not CPAs or LPAs may perform tax services in Iowa. The rules of professional ethics and conduct in this chapter and, more specifically, with respect to tax services, this rule shall apply to CPAs and LPAs who are licensed in Iowa and to CPAs exercising a practice privilege in Iowa whenever such persons inform the client or prospective client that they are a CPA or LPA. Clients may be so informed in a number of ways, including oral or written representations, the display of a CPA certificate or LPA license, or use of the CPA or LPA title in advertising, telephone or Internet directories, letterhead, business cards or E-mail. Clients and prospective clients who select a tax professional holding oneself out as a CPA or LPA have the right to expect compliance with these rules. A licensee shall not render services in the area of taxation unless the licensee has complied with Statements on Responsibilities in Tax Practice (SRTP), Internal Revenue Service Treasury Department Circular 230, Iowa department of revenue rules, and the Iowa Code.

13.8(2) Professional judgment—tax position. The licensee may resolve doubt in favor of the licensee's client as long as there is reasonable support for the client's tax return position. The licensee shall in good faith believe that the client's tax return position is warranted in existing law or can be supported by a good-faith argument for an extension, modification, or reversal of existing law. The licensees shall in good faith believe that:

- a. The position has a realistic possibility of being sustained administratively or judicially on its merits if challenged.
- b. The position is appropriately disclosed.
- c. The taxpayer is advised regarding potential penalty consequences of the tax return position.
- d. In addition to a duty to the taxpayer, the licensee has a duty to the tax system.

13.8(3) Licensees shall provide the following form and content of advice to taxpayers:

- a. Establish the relevant background facts.
- b. Consider the reasonableness of the assumptions and representations.
- c. Apply the pertinent authorities to the relevant facts.
- d. Consider the business purpose and economic substance of the transaction, if relevant to the tax consequences of the transaction.
- e. Arrive at a conclusion supported by the authorities.

13.8(4) Before signing as preparer, a licensee shall make a reasonable effort to obtain from the taxpayer the information necessary to provide appropriate answers to all questions on a tax return.

- a. The licensee must exercise due diligence in preparing, or assisting in the preparation of, approving, and filing tax returns.
- b. A licensee shall perform due diligence in determining the correctness of oral or written representations made by the client.

13.8(5) Contingent fee.

a. A licensee may charge a contingent fee for services rendered in connection with the examination of, or challenge to:

- (1) An original tax return, or
- (2) An amended return or claim for refund or credit where the amended return or claim for refund or credit was filed within 120 days of the taxpayer's receiving a written notice of the examination of, or a written challenge to, the original tax return.

b. A licensee may charge a contingent fee for services rendered in connection with a claim for credit or refund filed solely in connection with the determination of statutory interest or penalties assessed by the Internal Revenue Service or other governmental agency, or in a judicial proceeding.

c. A licensee may charge a contingent fee for services rendered in connection with any judicial proceeding arising under the Internal Revenue Service.

13.8(6) Return of client's records.

a. At the request of a client, a licensee must promptly return any and all records of the client that are necessary for the client to comply with the client's tax obligations.

b. Records of the client include all documents, written or electronic, provided to the licensee, or obtained by the licensee in the course of the licensee's representation of the client, that preexisted the retention of the licensee by the client.

13.8(7) Conflict of interest.

a. A licensee shall not represent a client if the representation involves a conflict of interest. A conflict of interest exists if:

(1) The representation of one client will be directly adverse to another client, or

(2) There is significant risk that the representation of one or more clients will be materially limited by the licensee's responsibilities to another client, a former client, or a third person, or by a personal interest of the licensee.

b. Notwithstanding the existence of a conflict of interest under paragraph "a" of this subrule, the licensee may represent a client if:

(1) The licensee reasonably believes that the licensee will be able to provide competent and diligent representation to each affected client;

(2) The representation is not prohibited by law; and

(3) Each affected client waives the conflict of interest and gives informed consent, confirmed in writing by each affected client, at the time the existence of the conflict of interest is known by the licensee. Copies of consents must be retained for at least 36 months from the date of the conclusion of the representation of the affected clients.

[ARC 9003B, IAB 8/11/10, effective 1/1/11]

193A—13.9(542) Consulting, advisory and other accounting services.

13.9(1) Introduction.

a. Consulting services that licensees provide to their clients have evolved from advice on accounting-related matters to a wide range of services involving diverse technical disciplines, industry knowledge, and consulting skills. Most licensees, including those who provide audit and tax services, also provide business and management consulting services to their clients.

b. Consulting services differ fundamentally from the licensee's function of attesting to the assertions of other parties. In a consulting service, the licensee develops the findings, conclusions, and recommendations presented. The nature and scope of work are determined solely by the agreement between the licensee and the client. Generally, the work is performed only for the use and benefit of the client.

13.9(2) Definitions.

"*Advisory services*" means the development and presentation of findings, conclusions, and recommendations for client consideration and decision making.

"*Business valuation*" means the act or process of determining the value of a business enterprise or ownership interest therein.

"*Consulting services*" means professional services that employ the practitioner's technical skills, education, observations, experience, and knowledge of the consulting process.

13.9(3) CPAs, LPAs, and persons who are not CPAs or LPAs may perform management or financial advisory services, financial investment or planning services, business valuation, and financial consulting services in Iowa. Some advisory or consulting services require licensure by bodies other than the board, such as insurance or securities licenses issued by the division of insurance. The rules of professional ethics and conduct in this chapter and, more specifically, with respect to advisory and consulting services, this rule shall apply to CPAs and LPAs who are licensed in Iowa and to CPAs exercising a practice privilege in Iowa whenever such persons inform the client or prospective client that they are a CPA or LPA. Clients may be so informed in a number of ways, including oral or written representations, the display of a CPA certificate or LPA license, or use of the CPA or LPA title in advertising, telephone or Internet directories, letterhead, business cards, or E-mail. Clients and prospective clients who select an advisory or consulting professional holding oneself out as a CPA or LPA have the right to expect compliance with these rules. A licensee shall comply with the applicable standards for the consulting, advisory and other accounting services to be provided to the licensee's client(s), such as Statements

on Standards for Valuation Services, Statements on Standards for Consulting Services, Statements on Responsibilities in Personal Financial Planning Practice, the Iowa uniform securities Act, the Iowa securities and regulated industries bureau, and the Iowa Code.

13.9(4) The consulting process requires the licensee to develop the findings, determine the conclusions, and present the recommendations. The nature and scope of work are determined by the agreement between the licensee and client.

13.9(5) Licensees shall follow these additional general standards for consulting services:

a. Client interest. The licensee shall serve the client interest by seeking to accomplish the objectives established by the understanding with the client while maintaining integrity and objectivity.

b. Understanding with client. The licensee shall establish with the client an oral or written understanding about the responsibilities of the parties and the nature, scope, and limitations of services to be performed and shall modify the understanding when circumstances require a significant change during the engagement.

c. Communication with client. The licensee shall inform the client of (1) conflicts of interest that may occur pursuant to interpretations of Rule 102 of the American Institute of Certified Public Accountants Code of Professional Conduct, (2) significant reservations concerning the scope or benefits of the engagement, and (3) significant engagement findings or events.

13.9(6) Performance of consulting services for an attest client does not, in and of itself, impair independence. Licensees and their firms performing attest services for a client shall comply with applicable independence standards, rules and regulations issued by the American Institute of Certified Public Accountants, the board, and other applicable regulatory agencies.

13.9(7) Licensees providing client service involving financial planning or the recommendation or sale of financial products or services may need to be licensed by applicable federal, state or local regulatory bodies.

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