PacificCPE

COURSE
92051A

# Ohio CPAs: Ethics and Professional Standards

Designed for Ohio CPAs in both public practice and industry, this course walks through the professional ethics statutes enacted by the Ohio General Assembly, the state's ethics rules, and how they compare to the AICPA Code of Professional Conduct. Topics include disciplinary actions, contingent fees, conflicts of interest, competence standards, and guidance for CPAs in business from both the AICPA and the Institute of Management Accountants. A practical starting point for meeting Ohio's ethics CPE requirement.

CREDIT HOURS 3 | FIELD OF STUDY ETHICS | EXAM QUESTIONS 15

Start Course ↓ | Final Exam Copy ↓

## Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 15 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

## Course Objectives

- Identify the professional ethics statutes as enacted by the General Assembly.
- Identify similarities and differences between the regulations and the AICPA Code of Professional Conduct.
- Recognize AICPA guidance for CPAs in business.
- Identify ethical guidance promulgated by the Institute of Management Accountants (IMA).

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# INTRODUCTION

Almost all states require that CPAs pass an ethics course prior to obtaining their initial CPA certificate. More and more states are adopting regulations mandating ethics CPE as a condition of renewing one's right to practice. CPAs often ask, "Why an ethics course – I've been practicing for years." The answer is simple. The accounting industry is undergoing change at a rapid pace.

Ohio law is often different from the AICPA. Thus, while you could be acting ethically in the eyes of the AICPA, you could be in violation of Ohio law.

**ACCOUNTANCY BOARD OF OHIO -- https://www.acc.ohio.gov**

The Accountancy Board of Ohio's legal mandate is to regulate the accounting profession for the public interest by establishing and maintaining entry standards of qualification and conduct within the accounting profession, primarily through its authority to license. The Board regulates Certified Public Accountants (CPAs) in Ohio through a program of examination, licensure (individuals and firms), consumer protection (enforcement), continuing professional education and peer reviews.

The Board may impose penalties on persons using the CPA title in Ohio or firms providing attest services or compilation services to persons or entities located in Ohio, or on a person or firm who does not hold an Ohio license or who does not meet the requirements to use the CPA title in Ohio in accordance with the Code of Ohio Statutes and/or Board Regulations.

**Ohio Permit and Ohio Registration**

There are two types of licenses issued by the Board. The licenses issued by the Board are described in section 4701.10 of the Ohio Revised Code.

The Ohio permit is required of all certified public accountants and public accountants who practice public accounting or perform regulated services. Public accounting services are always performed while employed by a public accounting firm. Regulated services are always performed in an organization other than a public accounting firm.

*Questions and Answers*

**Q: What type of license should I obtain?**

A: The law states that you need an Ohio permit if you are engaged in the practice of public accounting or perform regulated services. Public accounting includes compilations, reviews, and audits, as well as tax and consulting work done by a CPA firm. *Note:* any employee of a CPA firm who holds an Ohio CPA certificate and performs any client-facing work must complete CPE and hold a current and valid permit to practice, regardless if they sign documents as a CPA. Regulated services are services performed outside a CPA firm while using the CPA designation that would be subject to professional standards if performed in a CPA firm. If you are not engaged in the practice of public accounting and you do not perform regulated services, you may obtain a non-practicing Ohio registration and use the title "CPA Inactive." You will select the type of license you wish to hold at your triennial license renewal, although you may move from a registration to a permit at any time.

**Firm Registration and Peer Review**

Public accounting firms that perform attest work (compilations, reviews, audits of financial statements, EBP audits, etc.) are subject to the peer review requirement.

All attest firms are due to renew every three years on October 31st of the year assigned by the Accountancy Board of Ohio (Board). The firm must submit to the Board all required firm registration renewal documentation by that date, including evidence of an approved peer review not previously submitted to the Board.

Tax and consulting firms that advertise as CPA firms must also register with the Board every three years.

**Board Hearings**

The Board conducts formal hearings about alleged violations of the Ohio accountancy law. The Board also holds hearings for CPAs who request reinstatement of their CPA certificates after they have been revoked. The most common reasons for hearings are:

- Failure to renew individual and/or firm license
- Failure to obtain peer review
- Inability to verify CPE
- Criminal convictions
- Client complaints
- Suspension/revocations by the SEC, IRS, other federal/state agencies

- Failure to respond to Board communications
- Failure to appear before the Board

To avoid coming before the Board:

- When you move, change your address on the Board's website
- Renew your individual and firm license(s) on time
- Fulfill your CPE requirements
- Complete your firm peer review promptly
- Provide professional client service
- Return client records when requested
- Reply to Board communications
- When ordered, immediately cease and desist using the CPA designation

# Chapter 1: PROFESSIONAL ETHICS STATUTES

*Chapter Objective*

**After completing this chapter, you should be able to:**

- Identify the professional ethics statutes as enacted by the General Assembly.

## INTRODUCTION

The author has often heard CPAs mention that they are not members of the AICPA (or the state Society) so that they would have more flexibility in practicing accountancy. While it is true that the AICPA Code of Professional Conduct applies only to AICPA members, they fail to realize that most (if not all) of the AICPA principles have, in one form or another, been codified as law by the General Assembly.

In order to remain licensed, an Ohio CPA must abide by the law. In instances where the law and the AICPA Code of Professional Conduct conflict, the CPA must follow the law.

The law relating to CPAs can be divided into two parts. This chapter will discuss the law as passed by the General Assembly known as the Accountancy Board Law. The next chapter will cover the Accountancy Board Rules as promulgated by the Board of Accountancy as regulations.

**Note:** On the following pages are portions of the actual Statutes followed by observations to help clarify the intent of the Statutes.

## ACCOUNTANCY BOARD LAW (OHIO REVISED CODE)

## SELECTED SECTIONS

### SEC. 4701.11. CONTINUING EDUCATION

The accountancy board may adopt rules requiring that each applicant for an Ohio permit shall have demonstrated to the satisfaction of the board that the applicant has maintained a high level of professional competence by the completion of programs of continuing education satisfactory to the board during the period immediately prior to the application for the permit. The board shall not require more than 120 hours of those programs over any three-year period for applicants possessing an Ohio permit. For purposes of this section, the board shall not approve any continuing education courses for which fees are charged and that are sponsored by an accounting association in this state

unless those courses are open to all persons registered or certified under this chapter and unless the fees charged are reasonable for all persons desiring to take the courses.

The board may issue an Ohio permit for less than three years to any person who is unable to complete continuing education hours required for renewal of a triennial Ohio permit for good cause, as established by rule. The Ohio permit shall be conditioned upon the completion of all required continuing education hours during the period for which the Ohio permit is issued.

### SEC. 4701.12. ADVERTISEMENTS

The display or uttering by a person of a card, sign, advertisement, or other printed, engraved, or written instrument or device, bearing a person's name in conjunction with the words "certified public accountant" or any abbreviation of those words, or "public accountant" or any abbreviation of those words, shall be prima-facie evidence in any action brought under section 4701.18 or 4701.99 of the Revised Code that the person whose name is so displayed caused or procured the display or uttering of that card, sign, advertisement, or other printed, engraved, or written instrument or device, and that the person is holding self out to be a certified public accountant or a public accountant holding an Ohio permit. In any action, evidence of the commission of a single act prohibited by this section shall be sufficient to justify an injunction or a conviction without evidence of a general course of conduct.

*Observation*

A single act of holding out as a CPA by an unlicensed person is a crime.

### SEC. 4701.14. UNAUTHORIZED PRACTICE

(A) Except as permitted by rules adopted by the accountancy board, no individual shall assume or use the title or designation "certified public accountant," "certified accountant," "chartered accountant," "enrolled accountant," "licensed accountant," or "registered accountant," or any other title or designation likely to be confused with "certified public accountant," or any of the abbreviations "CPA," "PA," "CA," "EA," "LA," or "RA," or similar abbreviations likely to be confused with "CPA," or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the individual is a certified public accountant, unless the individual holds a CPA certificate and holds an Ohio permit. However, an individual who possesses a foreign certificate, has registered under section 4701.09 of the Revised Code, and holds an Ohio permit may use the title permitted under the laws of the individual's other licensing jurisdiction, followed by the name of the jurisdiction.

*Observation*

Section 4701.14 in its present form is quite cumbersome. Much of the language in that section was "model language" in the 1950s and was formerly present in nearly all the state accountancy laws. Since then, most of the provisions have been repealed by all the large states except one. For example, Ohio does not enforce the provisions concerning the terms LA, EA, etc., as the courts (not to mention the IRS) have decided this issue. Ohio does not enforce the prohibition on the use of the words "accountant" or "auditor," because the courts have ruled that these terms cannot be restricted to CPAs and that persons need not use any disclaimers with these terms. The only reason this language is still in the statute is because the controversial parts have never been enforced.

*Observation*

An enrolled agent licensed by the Internal Revenue Service may use the initials E.A. in conjunction with providing tax services.

(B) Except as permitted by rules adopted by the board, no individual shall assume or use the title or designation "public accountant," "certified public accountant," "certified accountant," "chartered accountant," "enrolled accountant," "registered accountant," or "licensed accountant," or any other title or designation likely to be confused with "public accountant," or any of the abbreviations "PA," "CPA," "CA," "EA," "LA," or "RA," or similar abbreviations likely to be confused with "PA," or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the individual is a public accountant, unless the individual holds a PA registration and holds an Ohio permit, or unless the individual holds a CPA certificate. An individual who holds a PA registration and an Ohio permit may hold self out to the public as an "accountant" or "auditor."

(C) Except as provided in divisions (C)(1), (2), (3), and (4) of this section, no partnership, professional association, corporation-for-profit, limited liability company, or other business organization not addressed in this section that is practicing public accounting in this state shall assume or use the title or designation "certified public accountant," "public accountant," "certified accountant," "chartered accountant," "enrolled accountant," "licensed accountant," "registered accountant," or any other title or designation likely to be confused with "certified public accountant" or "public accountant," or any of the abbreviations "CPA," "PA," "CA," "EA," "RA," or "LA," or similar abbreviations likely to be confused with "CPA" or "PA," or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the business organization is a public accounting firm.

(1)