

THE ATTORNEY - CPA

a publication of the american association of
attorney-certified public accountants, inc.

Volume XXIII, Number 4

August/September 1987



What is your opinion?

Ethics and The Attorney-Certified Public Accountant

by Richard M. Orin

At our mid-year meeting in Jackson Hole, Wyoming, the Directors had the opportunity to discuss in detail the professional ethics of both the attorney and the certified public accountant and then consider a proposed Code of Professional Service for the Attorney-Certified Public Accountant. The brainstorming session conducted as part of the educational program on Ethics was the stage for a vigorous and controlled free-for-all on the subject in which the participants expressed their ideas on matters that should be included in any proposed code. However, before the Association considers the formalization and adoption of any rules, it would be appropriate to study

the history and development of the ethical precepts promulgated by the American Bar Association and the American Institute of Certified Public Accountants.

Legal Ethics

The original canons of professional ethics of the American Bar Association were adopted in 1908 based on the 1887 code of ethics of the Alabama State Bar Association. In 1964, a Special Committee on Evaluation of Ethical Standards (Wright Committee) was created to assess possible changes; and in 1969 the Model Code of

Continued on page 8

In This Issue:

Using Federal Civil Rights Tools in State Tax Cases by Cary W. Clark _____	page 4
Proposed Code of Professional Service for the Attorney-Certified Public Accountant _____	page 7
Foonberg Honored with the Goldberg Award _____	page 11
Association Leaders _____	page 2
Mid-Year Meeting Report _____	page 9
San Antonio Education Program _____	page 12
A Message from Our President _____	page 3
Local Chapter News _____	page 11
Members in the News _____	page 10
Position Clearing House _____	page 14
Welcome Aboard — New Members _____	page 14

Association to Back Attorney-CPAs in Fight Against Boards of Accountancy

Thomas W. McCulloch (Texas) and Leonard G. Weisberg (Florida) spoke to the Association's Board of Directors during its meeting on July 1 in Jackson, Wyoming, on the complaints leveled against their firms by their state Boards of Accountancy. The Wednesday board session was devoted to the discussion of the problems confronting dual licensees and the ethical responsibilities of Attorney-CPAs.

Mr. McCulloch reviewed the Texas situation that began when a fellow CPA filed a complaint with the Texas Board of Accountancy regarding Mr. McCulloch's use of the designation C.P.A. after his name on the letterhead of his legal firm. In his report he outlined the stance of the Texas Board and the essence of his response to the

Continued on page 13

Professional Responsibility was ratified by the House of Delegates which has subsequently been adopted by a majority of state and federal jurisdictions. In 1977 the Commission on Evaluation of Professional Standards (Kutak Committee) undertook a comprehensive rethinking of the premises and problems of the legal profession, and in 1983 Model Rules of Professional Conduct were ratified by the House of Delegates and subsequently adopted by a minority of state and federal jurisdictions.

The current legal Model Rules of Professional Conduct consist of an introductory Preamble, an explanatory Scope and Terminology, and then eight rules of conduct.

The legal rules of particular interest to Attorney-CPAs relate to the following topics:

Client - Lawyer Relationship

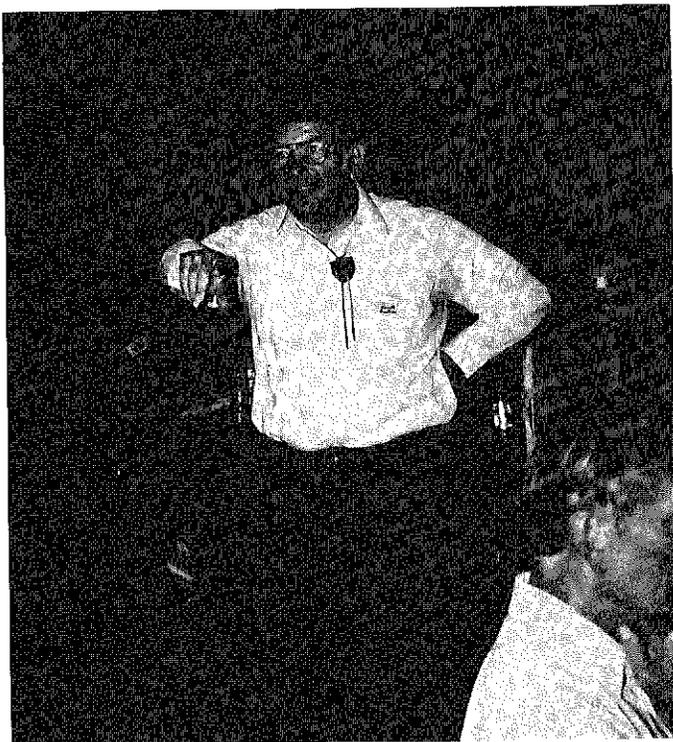
- Rule 1.5 (c)—Contingent Fees
- Rule 1.6 —Confidentiality of Information (attorney-client privilege)
- Rule 1.7 —Conflict of Interest: General Rule

Counselor

- Rule 2.1 —Advisor
- Rule 2.2 —Intermediary

Information About Legal Services

- Rule 7.1 —Communications Concerning a Lawyer's Services
- Rule 7.2 —Advertising
- Rule 7.3 —Direct Contact with Prospective Clients
- Rule 7.5 —Firm Names and Letterheads



Dick "Montana" Orin leads a brainstorming session on ethical responsibilities.

Accounting Ethics

The accounting profession, which is celebrating its one-hundredth anniversary this year, adopted its original two ethical rules in 1905 which had been expanded to fifteen by 1940. In 1962 a Code of Ethics was adopted by the membership of the American Institute of Certified Public Accountants which incorporated the Opinions of the Committee on Ethics. In 1973 there was a major revision of the Code of Ethics consisting of three sections: (1) Concepts of Professional Ethics, (2) Rules of Conduct and (3) Interpretation of Rules. In 1986 a Special Committee on Standards of Professional Conduct for Certified Public Accountants (Anderson Committee) submitted a paper entitled "Restructuring Professional Standards to Achieve Professional Excellence in a Changing Environment." The report proposed a new Code of Professional Ethics consisting of six articles of Standards of Professional Conduct and eleven Rules of Performance of Behavior (with commentaries).

The current and proposed accounting rules of particular interest to our membership relate to the following topics:

- Rule 101 —Independence
- Rule 301 —Confidential Client Information
- Rule 302—Contingent Fees
- Rule 502—Advertising and Other Forms of Solicitation
- Rule 503—Commissions
- Rule 504—Incompatible Occupations
- Rule 505—Forms of Practice and Name

Attorney-CPAs

The proposed Code of Professional Service for the Attorney-Certified Public Accountant which is presented with this article includes some of the ideas suggested at our educational meeting. It consists of a Preamble and four rules called Ethical Responsibilities. E.R. 1 clarifies and specifies the capacity in which the attorney-certified public accountant is acting for the client. E.R. 2 imposes an affirmative duty on the attorney-certified public accountant to disclose to the client potential conflicts of interest, if any, and their effect on independence and privilege. E.R. 3 provides standards for advertising professional services, and E.R. 4 provides standards for professional conduct.

Arguments for the adoption of the proposed Code of Professional Service raised in the education meeting were:

1. The need for ethical guidelines for the dual professional is apparent and real, particularly in the areas unique to the overlapping disciplines which might create questions.
2. After nearly 25 years of existence, the Association has matured to the point where it should recognize its obligation to provide advice and direction concerning joint practice to its members.