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Public Relations and Ethics for CPA State Societies

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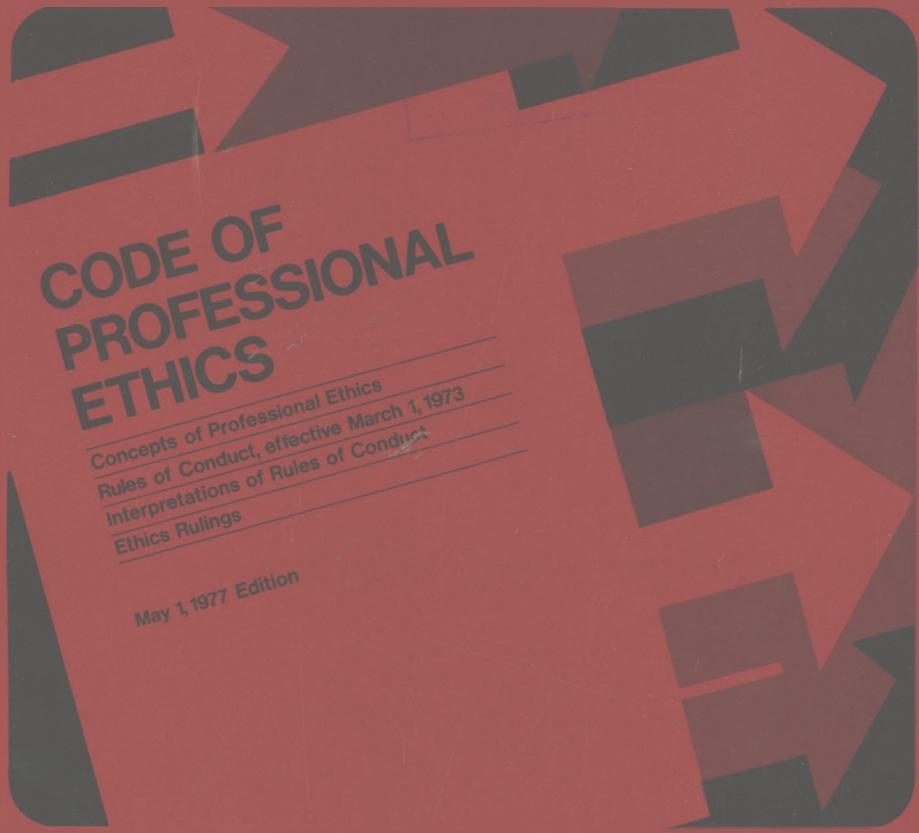
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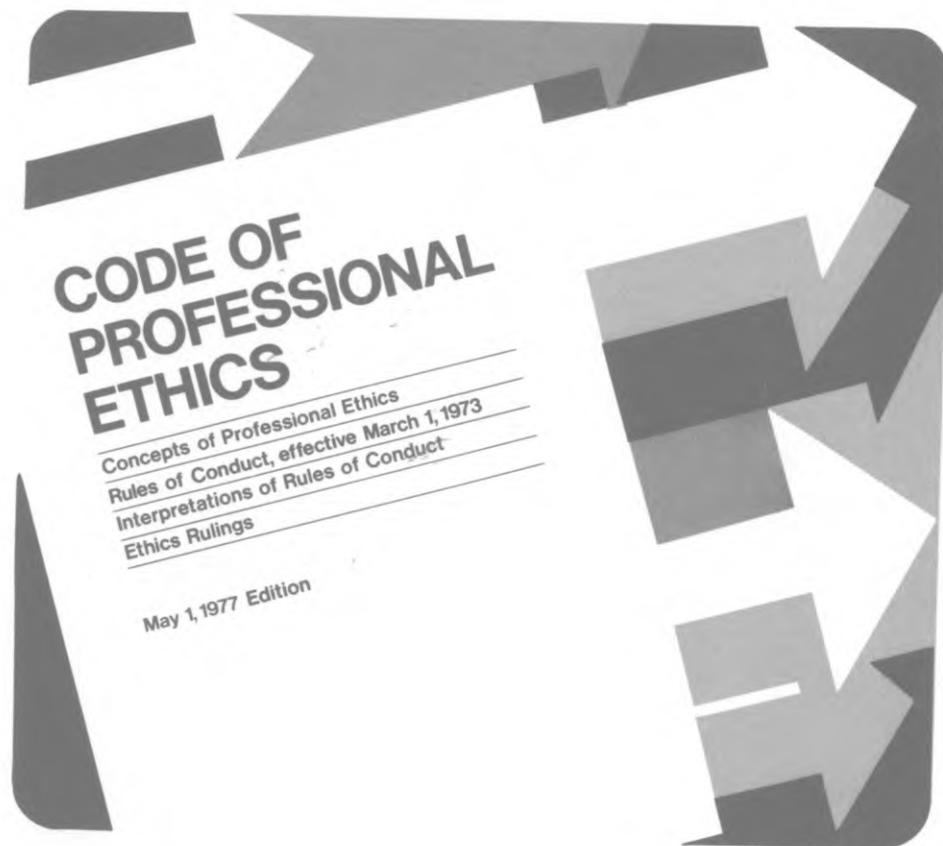


CODE OF PROFESSIONAL ETHICS

- Concepts of Professional Ethics
- Rules of Conduct, effective March 1, 1973
- Interpretations of Rules of Conduct
- Ethics Rulings

May 1, 1977 Edition

Public Relations and Ethics for CPA State Societies



American Institute of Certified Public Accountants

Observations on ethics questions arising from public relations activities of the State Societies, delivered by A. Clayton Ostlund, chairman of AICPA's Professional Ethics Executive Committee, at the national PR conference in Lincolnshire, Illinois, on July 15, 1977.



A. Clayton Ostlund is a partner in the Chicago executive office of the firm of Touche Ross & Co. He is a former president of the Illinois CPA Society and has served the society in numerous other posts. He currently is a member of its board of directors and chairs its Planning and Advisory Council and Nominating Committee.

Mr. Ostlund is a member of AICPA's Council and has been chairman of its Professional Ethics Executive Committee since 1976.

Public Relations on Behalf of the Profession

I am sure you will be happy to know that there are no ethical restrictions on public relations activities on behalf of the profession, but those last five words are vital—"on behalf of the profession." What you can ethically do on behalf of the profession cannot be done on behalf of an individual or on behalf of a CPA firm. Thus, the yellow-page box-type ad that the Illinois Society used to place in the Chicago Telephone Directory, which in effect said that CPAs are experts in preparing income tax returns, was not unethical. A similar ad or statement in the yellow pages that said one accounting firm or one CPA is an expert on income taxes would be unethical. You may do for a group what you may not do for an individual firm or CPA.

I should qualify that statement to the extent that it is based on the current Ethics Code, Interpretations and Rulings. Although the Code may be changed in the near future* to permit advertising by CPA firms and individuals, under the Code now in effect, advertising by CPA firms or individuals is not permitted.

The Federal Trade Commission and U. S. Department of Justice have not concluded their investigations. If you read the *Bates* decision by the Supreme Court with care, you

*See page 10 for proposed modifications of Ethics Code Rule 502, to be submitted to a vote by AICPA membership.

realize the only thing the Supreme Court said was that lawyers could advertise routine services; any opinion on advertising quality of service was deferred. Also deferred was the ruling on solicitation. Furthermore, the court deferred stating whether other media except newspapers or the printed word would be permitted.

You can do practically anything across the whole spectrum of public relations on behalf of the profession. On the other hand the CPA firm, or an individual CPA, can still do relatively little to promote their attainments and services.

Societies May Seek Out Reporters

CPA society executive directors, officers, and PR committees can initiate contacts with the press. They may invite a reporter to lunch to discuss the CPA profession and its collective expertise in auditing, tax, and MAS, with the hope that the reporter will produce an article about aspects of our profession discussed over lunch. In Illinois, the society's outside PR Council arranges luncheons to bring together reporters and officers of the society.

A CPA as an individual or representative of a firm can probably have lunch with a reporter. A CPA is not prohibited from dining or meeting with news people and responding to their questions with factual answers, but is prohibited from directly or indirectly cultivating publicity about himself or his firm's professional attainments or services. In this case, if after such a luncheon the reporter were to write an article which promoted the CPA or his firm's accomplishments, there might well be an ethical violation.

So it is with seminars. A state CPA society or a chapter of a state society can sponsor a seminar and invite the world to it without breaching the ethical code. You could invite all the company presidents, controllers, bankers and attorneys in town. At a seminar sponsored by a state society

or a chapter, you can pass out all the information you wish about the CPA profession and how good it is. But a CPA firm sponsoring a seminar may invite only its clients, and educators, bankers or other professionals who serve those clients.*

Distribution of literature follows the same rules. As a society, you can print and distribute whatever you want to whomever you want. In Illinois last year more than 78,000 pamphlets were distributed by the society to businessmen within the state. The pamphlets covered subjects we thought would interest them.

A CPA firm can only distribute literature to its clients, the professionals who serve its clients, and others who request the material.

A society and a CPA firm may issue press releases. Again, the CPA firm operates under more restrictions than does the society. A CPA firm may issue releases on changes in partnership status or location of the firm, for example. But remember, that's just a press release. The CPA firm is not permitted to buy advertising space announcing such events.** The firm may also issue statements or press releases enunciating a policy or a position related to accounting, or any other matter of public interest. Thus, a firm could issue a release announcing opposition to replacement cost accounting or support for the Equal Rights Amendment. It could also release technical pamphlets to the media.

Few Restrictions Hamper A Society's Public Relations

The society has no restrictions as to subject matter—it can issue a release on virtually anything dealing with the profession as a whole. Thus it could issue a release highlighting changes in the Tax Reform Act—which I do not believe a firm could do.*** A CPA firm might write a technical booklet outlining the changes in the Tax Reform Act and send that to the media, but in my opinion, a firm could not issue a press

*Proposed modification of Rule 502 would permit the advertising of an open invitation to anyone who might wish to attend.

**Under proposed modification of Rule 502 such advertising would be permitted.

***Permissible under proposed new rule.

release listing the ten most important changes in the Act.

Another thing a society (or chapter) can do—and I often wonder why more of this is not done—is to issue press releases on awards given to a society or its members. Societies can—and routinely do—issue press releases on appointments or elections to office within a society, the AICPA, or any other organization. A firm of CPAs or an individual CPA is not permitted to initiate such publicity on its own behalf.

Radio-TV Offers Public Relations Opportunities

Members of the society can be on radio or television shows participating in interviews or spot announcements. Last year, 116 of the 136 radio stations in Illinois broadcast information distributed by the society. In addition to individual interviews on some television and radio stations, the society provided material and talent for the half-hour “Ask a CPA” show which ran for thirteen weeks on a Chicago educational television station.

Societies and chapters may solicit the opportunity to furnish speakers to various professional groups or social groups, such as bankers associations, Kiwanis, Rotary, or other service clubs. An individual CPA or firm may accept an invitation to speak, but cannot solicit invitations to speak.

In summary then, any state CPA society or any chapter is free to publicize the CPA profession—what we do and how good we are. However, there are a few ethical restrictions on our society public relations effort.

Good Taste Essential

The first, for want of a better term, is that of using “good taste.” For example, a direct attack against public accountants (not certified) and their work might, to my mind, be called an act discreditable under our Code, and thus a

violation. Further, I think a PR effort of that nature would hurt our profession more than it would help. On the other hand, an ad or press release can quite properly emphasize the training a person undergoes to become a Certified Public Accountant: the uniform examination he must pass for certification, the experience requirements, the mandatory continuing professional education required every year to maintain the license to practice. That *should* be stressed; there is nothing unethical about it. The rule is: Do not denigrate the service of public accountants or other competitors; instead boost and exploit your own services as CPAs.

Must Serve Profession's Interests

The public relations efforts of a society or chapter should not aggrandize a firm, a group of firms, or an individual; those efforts should be directed to serve the interests of the profession as a whole. That does not mean that public relations efforts to boost CPAs couldn't highlight their expertise in such fields as performing school district audits or furnishing accounting or write-up services. It may be that some CPAs may not be able or willing to do that type of work. Thus, you would be helping, not the entire membership, but a portion of your membership—those who *are* willing and able to do that work. But this raises no ethical problem so long as you do not promote any specific firm or individual or imply one firm is better than another in such areas of expertise.

Must Be Factual

Third, any public relations efforts that are false, misleading, or deceptive would violate the Code of Ethics.

That would include:

- An advertisement that would create false or unjustified expectations of favorable results. For example: "Have a

CPA do your tax return and save dollars.” That sounds innocuous, but I don’t think it would be ethically proper —because we do not know that every CPA could save dollars on every tax return.

- Self-laudatory praise that is not verifiable, such as: “A CPA’s clients have the best accounting systems.”

How To Identify CPA Sources

A question that often arises with respect to radio, television, interviews with reporters, and press releases is how to identify the source. Should it be:

- *the society?*
- *an individual’s name and the fact that he is a CPA?*
- *an individual, mentioning that he is a CPA and a member of the state society?*
- *an individual, giving his name, mentioning that he is a CPA, a partner in “XYZ” firm, and a member of the state society?*

In my opinion, the last is preferable. It would be unreasonable to be interviewed by a reporter and not tell him where you work. Similarly, to be on a radio or television show, and not let the audience know where you are employed doesn’t make sense. The reporter or announcer could easily find out such information. On those television shows on which I have appeared, my name was mentioned, along with my firm affiliation and my position in the Illinois Society at the beginning of the program. Then throughout the show, my name, the fact that I was a CPA and my position with the society were repeated. But not the firm’s name—that was just given once.

Names make news. Press releases that cite only the society’s name are not effective. Issuing news in the name of John Smith, President, or Carl Brown, Chairman of the Tax Committee, produces better results.

Spot announcements on radio or television are different. Those can be credited to the society.

In summary, practically anything can be done by way of public relations efforts as long as it is in "good taste", is not derogatory to others, is factually correct, and is undertaken on behalf of the CPA profession.

*Proposed Modification of
Rule 502 and New Interpre-
tations Under Rule 502,
approved by AICPA Council
August 17, 1977, for sub-
mission to a vote by the
membership.*

Proposed New Rules For Firms And Individuals

Rule 502—Advertising or Other Forms of Solicitation. A member shall not seek to obtain clients by advertising or other forms of solicitation in a manner that is false, misleading or deceptive. The direct uninvited solicitation of a specific potential client is prohibited.

Interpretation 502-1—False, Misleading or Deceptive Acts. Advertising or other forms of solicitation that are false, misleading or deceptive are not in the public interest and are prohibited. Such activities include those that:

1. Create false or unjustified expectations of favorable results;
2. Imply the ability to influence any court, tribunal, regulatory agency or similar body or official;
3. Consist of statements that are self-laudatory and that are not based on verifiable facts;
4. Make incomplete comparisons with other CPAs;
5. Contain testimonials or endorsements;
6. Contain any other representations that would be likely to cause a reasonable person to misunderstand or be deceived.

Interpretation 502-2—Informational Advertising. Advertising that is informative and objective is permitted. Such advertising should be in good taste and be professionally dignified. There are no restrictions on the type of advertising or media, frequency of placement, size, art work or type style. Some examples of informative and objective content are:

1. Information about the member and the member's firm, such as:
 - a. Name, addresses, telephone numbers, number of partners, shareholders or employees, office hours, foreign language competence and date the firm was established.
 - b. Services offered and fees for such services, including hourly rates and fixed fees.

- c. Educational and professional attainments, including date and place of certification, schools attended, dates of graduation, degrees received and memberships in professional associations.
2. Statements of policy or position made by a member or a member's firm related to the practice of public accounting or addressed to a subject of public interest.

Interpretation 502-3—Other Forms of Solicitation. CPAs may engage in a variety of activities to enhance their reputations and professional stature with the objective of expanding their clientele. Such indirect forms of solicitation, which include giving speeches, conducting seminars, distributing professional literature and writing articles and books, are considered to be in the public interest and are permitted. However, a direct uninvited approach by a member seeking to render services to a specific potential client is prohibited because such activity tends to promote exaggerated and unsupported claims and the use of misleading and deceptive sales techniques. Such approaches are not susceptible to monitoring, verification or control by the profession.

Interpretation 502-4—Self-designation as Expert or Specialist. Claiming to be an expert or specialist is currently prohibited because an AICPA program with methods for recognizing competence in specialized fields has yet to be developed and self-designations would be likely to cause misunderstanding or deception. However, a member or a member's firm may indicate either the services offered, or that the practice is limited to one or more types of service.