



Arkansas Society of Certified Public Accountants

11300 Executive Center Drive • Little Rock, Arkansas 72211-4352

December 16, 2011

Sara Lenehan
City of Little Rock -- Finance Director
500 W. Markham, Room 208
Little Rock, AR 72201-1427

VIA: Email slenehan@littlerock.org

RE: CPA Fiduciary Rights and Responsibilities

Dear Ms. Lenehan:

As stated in your email correspondence to the Arkansas Society of Certified Public Accountants (ASCPA), you requested guidance regarding your responsibilities and rights as a CPA and as fiduciary of the City's Police Pension Fund of Little Rock, Arkansas. First and foremost, any legal concerns and/or questions should be communicated with your legal counsel. Although the Code of Professional Conduct and Bylaws of the American Institute of Certified Public Accountants (AICPA) directs the ethical performance of its members, the legal and regulatory aspects of your service in the capacity of a certified public accountant may be governed by other directives. As quoted from the Code of Professional Conduct, "A member should also consult, if applicable, the ethical standards of his or her state CPA society, state board of accountancy, the Securities and Exchange Commission, and any other governmental agency, which may regulate his or her client's business or use his or her report to evaluate the client's compliance with applicable laws and related regulations."

Concerning the ethical responsibilities of a member of the AICPA and ASCPA, and in response to your communication, ET Section 200 Rule 201 and Interpretation 201-1, and ET Section 500 Rule 501 and Interpretation 501-5 may be applicable. These excerpts from the Code of Professional Conduct and Bylaws, as noted, are attached to this correspondence. Ultimately, the Code of Professional Conduct prescribes in ET Section 52 Article I "In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities", and further directs in ET Section 53 Article II "Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism." Furthermore, Article III - Integrity, Article IV - Objectivity and Independence, Article V - Due Care, and Article VI - Scope and Nature of Services should also closely guide the performance of members.

Respectfully;

Julienne P. Pentter (handwritten signature)

Julienne P. Pentter, CPA
Chair, ASCPA Professional Ethics Committee

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## ET Section 201 **General Standards**

.01 Rule 201—General standards A member shall comply with the following standards and with any interpretations thereof by bodies designated by Council.

A. *Professional Competence.* Undertake only those professional services that the member or the member's firm can reasonably expect to be completed with professional competence.

B. *Due Professional Care.* Exercise due professional care in the performance of professional services.

C. *Planning and Supervision.* Adequately plan and supervise the performance of professional services.

D. *Sufficient Relevant Data.* Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

[As adopted January 12, 1988.]

(See Appendix A.)

### **Interpretations under Rule 201—General Standards**

.02 201-1—Competence A member's agreement to perform professional services implies that the member has the necessary competence to complete those professional services according to professional standards, applying his or her knowledge and skill with reasonable care and diligence, but the member does not assume a responsibility for infallibility of knowledge or judgment. Competence to perform professional services involves both the technical qualifications of the member and the member's staff and the ability to supervise and evaluate the quality of the work performed. 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 in the performance of professional services.

The member may have the knowledge required to complete the services in accordance with professional standards prior to performance. In some cases, however, additional research or consultation with others may be necessary during the performance of the professional services. This does not ordinarily represent a lack of competence, but rather is a normal part of the performance of professional services.

However, if a member is unable to gain sufficient competence through these means, the member should suggest, in fairness to the client and the public, the engagement of someone competent to perform the needed professional service, either independently or as an associate.

[.03] [201-2]—[Deleted]

[.04] [201-3]—[Deleted]

[.05] [201-4]—[Deleted]

## ET Section 501

### ***Acts Discreditable***

.01 Rule 501—Acts discreditable A member shall not commit an act discreditable to the profession.  
[As adopted January 12, 1988.]

.06 501-5—Failure to follow requirements of governmental bodies, commissions, or other regulatory agencies Many governmental bodies, commissions or other regulatory agencies have established requirements such as audit standards, guides, rules, and regulations that members are required to follow in the preparation of financial statements or related information, or in performing attest or similar services for entities subject to their jurisdiction. For example, the Securities and Exchange Commission, Federal Communications Commission, state insurance commissions, and other regulatory agencies, such as the Public Company Accounting Oversight Board, have established such requirements.

If a member prepares financial statements or related information (for example, management's discussion and analysis) for purposes of reporting to such bodies, commissions, or regulatory agencies, the member should follow the requirements of such organizations in addition to generally accepted accounting principles. If a member agrees to perform an attest or similar service for the purpose of reporting to such bodies, commissions, or regulatory agencies, the member should follow such requirements, in addition to generally accepted auditing standards (where applicable). A material departure from such requirements is an act discreditable to the profession, unless the member discloses in the financial statements or his or her report, as applicable, that such requirements were not followed and the reasons therefore.

[Effective August 31, 1989. Revised, effective October 31, 2000, by the Professional Ethics Executive Committee. Revised, effective April 30, 2004, by the Professional Ethics Executive Committee.]