

## Using CPA Designation in Unregistered Investment Firms

Case studies on Oklahoma CPAs using their title designation in relation to unregistered investment firms.

While the guidance regarding the appropriate use of the “CPA” designation in the practice of public accounting is fairly well defined, there have been some questions arise as to when it might be appropriate to use the designation outside of one’s accounting practice. The following case studies will help shed some light on the proper use of one’s “CPA” designation. The case scenarios refer to items 1-8 from the definition of the practice of public accounting found in the Oklahoma Accountancy Act. The definitions can be found at the end of this article.

As always, should you have any additional questions about proper protocol when using the “CPA” designation, or obtaining one’s permit, please contact the OAB office at 405-521-2397.

**1. In this scenario, the registrant, John Doe, holds a current permit and is current on his CPE. John Doe registered as working in industry under "Doe & Doe Wealth Management" and uses the CPA designation with his name on the company's signage. The registrant has attested that neither he nor the firm does any tax, auditing, bookkeeping, or traditional accounting services, and that he is licensed with the FINRA and multiple states as a financial advisor.**

John Doe, CPA, is registered and permitted. As an individual CPA he is allowing or using his “CPA” title on signage. Using the statutory definition of “practicing public accounting,” he satisfies three of its parts:

- (a) he holds himself out to the public as skilled . . . as a certified public accountant,
- (b) he is qualified as a certified public accountant, and
- (c) he performs at least one of the items numbered (1) through (8), in particular item (7)... he “prepares personal financial or investment plans or provides to clients products or services of others in implementation of personal financial or investment plans.”

So it is appropriate for him to have a permit as an individual CPA.

The entity, Doe & Doe Wealth Management is not a registrant, nor holding itself out as skilled as a certified public accountant; and in spite of the fact that it performs one of the items listed (1) through (8), specifically item (7), it does not need a firm permit. The entity was created not to be a CPA firm and is so limited. The Board has no authority-to prohibit the permitted CPA from using the title of CPA next to his name in communications with regard to the Doe & Doe Wealth Management business. Further, as a CPA registrant, John Doe will always be subject to the standards of conduct as a CPA as he conducts his affairs within the business of Doe & Doe Wealth Management.

**2. In this scenario, the registrant does not hold a current permit and has claimed "inactive" status (CPE exempt) since at least 2006. The registrant works for a major investment firm (non-registered) as a portfolio manager, and the firm's biography page lists her as a CPA and does not indicate that she is inactive.**

This scenario is problematic. The CPA is not permitted. Here the advertised use of the CPA title suggests that she is “holding herself out to the public in any manner as one skilled in the knowledge, science and practice of accounting . . . and she is in fact performing item (7) (See Oklahoma Accountancy Act below). Therefore she must have a permit to practice.

**3. In this scenario, the registrant holds a current permit and is current on his CPE. The registrant practices accounting in a registered firm, but acts as an investment advisor under his own name, separate from the firm. The registrant uses his CPA designation with his name in the advertising of his investment advisory practice.**

The CPA designation is permitted. He practices public accounting in a registered CPA firm. Separately he also acts as an investment advisor under his own name as an individual. Because he is permitted it is permissible for him to use his CPA designation. However that separate individual practice appears to require him to also register himself as a CPA firm. [Note: If he set up a separate entity for the limited purpose of financial advice, he would not need to register the entity as a firm because it is not practicing public accounting.]

**4. In this scenario, the registrant holds a current permit and is current on her CPE. The registrant practices accounting in a registered firm ("Jane Doe and Associates, CPA"), but also works as an investment advisor in an unregistered investment firm ("Jane Doe Financial Services"). On the biography page for the investment firm, the registrant uses her CPA designation and states that she has been preparing taxes for over 30 years. However, there is a notation that the investment firm does not offer tax services.**

Individual CPA is permitted. She practices public accounting in a registered CPA firm. The investment firm does not practice public accounting. As in scenario 1 above, the entity was not created to practice public accounting and is so limited. The Accountancy Board would not prohibit the permitted CPA from using the title "CPA" on the investment firm's biography page. The statement as to the 30 years of tax experience is factual and, if true, appears appropriate. There is a disclaimer that the entity does not provide tax services.

#### **OKLAHOMA ACCOUNTANCY ACT: Relevant Definitions**

The above analysis uses the following definitions from the 2011 Oklahoma Statutes, Title 59, § 15.1A Definitions:

20. "**Firm**" means an entity that is either a *sole proprietorship*, partnership, professional limited liability company, professional limited liability partnership, limited liability partnership or professional corporation, or any other professional form of organization organized under the laws of the State of Oklahoma or the laws of another jurisdiction and issued a permit in accordance with Section 15.15A of this title or exempt from the permit requirement under Section 15.15C of this title, including individual partners or shareholders, **that is engaged in accountancy**; (emphasis added.)

34(a) "**Practice of public accounting**", also known as "practice public accounting", "practice" and "practice accounting", refers to the activities of a registrant, an individual granted practice privileges under Section 15.12A of this title, or a firm exempt from the permit and registration requirements under Section 15.15C of this title in reference to accountancy. An individual or firm shall be **deemed to be engaged in the practice of public accounting if the individual or firm holds itself out to the public in any manner as one skilled in the knowledge, science, and practice of accounting and auditing, taxation and management advisory services and is qualified to render such professional services as a certified public accountant or public accountant, and performs the following:**

- 1) maintains an office for the transaction of business as a certified public accountant or public accountant,
- 2) offers to prospective clients to perform or who does perform on behalf of clients professional services that involve or require an audit, verification, investigation, certification, presentation, or review of financial transactions and accounting records or an attestation concerning any other written assertion,
- 3) prepares or certifies for clients reports on audits or investigations of books or records of account, balance sheets, and other financial, accounting and related schedules, exhibits, statements, or reports which are to be used for publication or for the purpose of obtaining credit, or for filing with a court of law or with any governmental agency, or for any other purpose,
- 4) generally or incidentally to the work described herein, renders professional services to clients in any or all matters relating to accounting procedure and to the recording, presentation, or certification of financial information or data,
- 5) keeps books, or prepares trial balances, financial statements, or reports, all as a part of bookkeeping services for clients,
- 6) prepares or signs as the tax preparer, tax returns for clients, consults with clients on tax matters, conducts studies for clients on tax matters and prepares reports for clients on tax matters, unless the services are uncompensated and are limited solely to the registrant's, or the registrant's spouse's lineal and collateral heirs,
- 7) prepares personal financial or investment plans or provides to clients products or services of others in implementation of personal financial or investment plans, or
- 8) provides management advisory services to clients.

b. Except for an individual granted practice privileges under Section 15.12A of this title or a firm exempt from the permit and registration requirements under Section 15.15C of this title, an individual or firm **not holding a certificate, license or permit** shall not be deemed to be engaged in the practice of public accounting if the individual or firm does not hold itself out, solicit, or advertise for clients using the certified public accountant or public accountant designation and engages only in the following services:

- 1) keeps books, or prepares trial balances, financial statements, or reports, provided such instruments do not use the terms "audit", "audited", "exam", "examined", "review" or "reviewed" or are not exhibited as having been prepared by a certified public accountant or public accountant. Except for an individual granted practice privileges under Section 15.12A of this title or a firm exempt from the permit and registration requirements under Section 15.15C of this title, nonregistrants may use the following disclaimer language in connection with financial statements and be in compliance with the Oklahoma Accountancy Act: "I (we) have not audited, examined or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them.",
- 2) prepares or signs as the tax preparer, tax returns for clients, consults with clients on tax matters, conducts studies for clients on tax matters and prepares reports for clients on tax matters,
- 3) prepares personal financial or investment plans or provides to clients products or services of others in implementation of personal financial or investment plans, or
- 4) provides management advisory services to clients.

c. Only permit holders, individuals granted practice privileges under Section 15.12A of this title, or firms exempt from the permit and registration requirements under Section 15.15C of this title may render or offer to render any attest service, as defined herein, or issue a report on financial statements which purport to be in compliance with the Statements on Standards for Accounting and Review Services (SSARS). This restriction shall not prohibit any act of a public official or public employee

in the performance of that person's duties. This restriction shall not be construed to prohibit the performance by any unlicensed individual of other services as set out in subparagraph b of this paragraph.

d. A person is not deemed to be practicing public accounting within the meaning of this section solely by displaying an Oklahoma CPA certificate or a PA license in an office, identifying himself or herself as a CPA or PA on letterhead or business cards, or identifying himself or herself as a CPA or PA. **However, the designation of CPA or PA on such letterheads, business cards, public signs, advertisements, publications directed to clients or potential clients, or financial or tax documents of a client constitutes the practice of public accounting and requires a permit**, practice privileges under Section 15.12A of this title, or an exemption from the permit and registration requirements under Section 15.15C of this title; (Emphasis added.)