Statewide Adoption of the AICPA Code of Professional Conduct: A Review of Recent AICPA Disciplinary Actions

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Abstract

This study reviews the AICPA disciplinary process and examines a recent sample of disciplinary actions taken against practitioners for ethics violations. Trends related to enforcement and disclosure of actions are inspected and additional details are provided based on state codes of conduct. We consider the effects of uniform statewide adoption of the AICPA Code of Professional Conduct for CPAs, as recently encouraged by the AICPA and NASBA. We find 43% of state accounting boards have formally adopted the AICPA Code of Professional Conduct, 35% have not adopted the Code and 22% have partially adopted the Code. The three states with the highest number of disciplinary actions are New York, California and Texas, none of which have adopted the Code. Of the top ten states with the greatest number of enforcement actions, only two have formally adopted the Code. The most common type of investigation in the sample is an automatic disciplinary provision by the AICPA. Dispositions for violations appear to be getting more severe, with admonishments declining and settlements, terminations and suspensions taking its place.

Keywords: AICPA disciplinary actions, code of professional conduct, ethics, professional sanctions, NASBA

1. Introduction

In the United States, CPAs are distinguished from other business professionals by their stringent licensing requirements and certifications through state boards of accountancy. After they are licensed, mandatory continuing professional education (CPE) requirements help ensure CPAs stay current with changing accounting standards, tax laws, regulatory changes and legal/ethical standards.

CPAs are expected to be technically and ethically competent in the performance of their professional responsibilities. The Financial Accounting Standards Board (FASB), Securities and Exchange Commission (SEC), Internal Revenue Service (IRS) and other regulatory authorities prescribe technical standards, and ethical codes of conduct are currently prescribed by state accounting societies and the American Institute of Certified Public Accountants (AICPA).

Most CPAs adhere to the various ethical guidelines provided and perform their work with a sense of public duty and integrity. However, there are practitioners that violate the high ethical standards of the profession and negatively impact the public perception of CPAs and the quality of work performed. This study examines a recent sample of AICPA disciplinary actions to identify the types of ethics violations occurring in practice and to investigate to what degree statewide adoption of the Code of Professional Conduct is reflected in the enforcement process.

2. Background

Codes of conduct exist among professions to formally establish performance and behavioral guidelines for professionals. In the U.S., the AICPA is responsible for setting the ethical standards for its member CPAs. In particular, the AICPA Code of Professional Conduct (the Code) outlines the ethical and professional responsibilities that its members should uphold in the performance of their duties. The most current version of the Code was revised in December 2014 and became effective in December 2015. One of the more significant changes made to the Code at this time was the establishment of a section on “Ethical Conflicts” (Section 1.000.020) (American Institute of Certified Public Accountants [AICPA], 2014).

The AICPA strives to ensure a high level of public confidence in the integrity and objectivity of CPAs. As the largest professional organization of CPAs in the country, the AICPA's disciplinary process, therefore, has implications for public interest. However, since membership in the AICPA is voluntary, a major limitation exists within its disciplinary process. As a professional organization, it does not carry the same weight as a state board of accountancy or regulatory agency; the harshest penalty it can impose is to expel and ban an individual CPA from membership (AICPA, 2019b). Thus, the disciplinary process for ethical violations of members means that these violations are in direct contradiction with the fundamental values of the AICPA.

State board agencies possess the ultimate legal authority and employ a wider variety of disciplinary actions for ethical violations. Currently, there are 55 individual NASBA licensing jurisdictions responsible for establishing ethical codes of conduct for CPAs, as well as evaluating and enforcing issues related to violations of these ethical standards. These jurisdictions include 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands. The National Association of State Boards of Accountancy (NASBA) maintains resources for the jurisdictions and provides guidance on best practices so that state board staff may benefit from the experience of other state boards (National Association of State Boards of Accountancy [NASBA], 2019(a)).

Further complicating matters, CPAs may be impacted by regulation from the Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), the Government Accountability Office (GAO), the Department of Labor (DOL), federal, state, and local taxing authorities, as well as any other regulatory body that regulates an entity for which the CPA performs a professional service (AICPA, 2014).

Despite previous attempts to promote uniform enforcement and disclosure policies and practices for ethical violations, state accounting boards have developed unique enforcement practices suited to their specific needs. This inconsistency makes it difficult to draw comparisons among licensing jurisdictions and limits the ability to analyze data relating to complaints, caseloads, licensee population, etc. Additionally, differences in the expectation and enforcement of ethical standards within the 55 jurisdictions complicate the issue of licensing reciprocity for CPAs.

Section 23 of the model licensing law developed by NASBA and the AICPA (the Uniform Accountancy Act) provides a consistent approach to regulation in many areas of the accounting profession, but the framework does not include ethical guidelines. Most jurisdictions have adopted a Section 23 privilege to practice, allowing CPAs with licenses in good standing to practice in another jurisdiction that is not the CPA's principal place of business, assuming substantial equivalency (AICPA and NASBA, 2018). One of the implications of statewide reciprocity is that CPAs will be held to a consistent (or at least similar) set of ethical standards, regardless of their location. In order to sustain public confidence in the profession, CPAs practicing in multiple jurisdictions must be adequately regulated by their home state licensing board through appropriate enforcement and disciplinary proceedings. In 2016, the NASBA Enforcement Resource Committee completed a review of the current enforcement practices in each of the 55 reporting jurisdictions and found them to be substantially equivalent to its "Guiding Principles of Enforcement" (NASBA, 2017).

AICPA and NASBA launched a national effort in 2014 to expand the adoption of the Code at the state accountancy board level as part of a national effort to create more consistency and uniformity in the ethical standards of the profession. Benefits of statewide adoption include: 1) uniform ethical standards that make it easier for CPAs to comply with regulations, 2) additional guidance provided in the Conceptual Framework that is not included in many state regulations, 3) improved relevancy and timeliness in addressing emerging ethical issues, and 4) the Code is housed in a dynamic online platform that is more intuitive and searchable than most existing state-level guidance resources (AICPA, 2015). Currently, 24 states have officially adopted the Code, 12 states have partially adopted the Code, and 19 states have not adopted the Code (AICPA, 2019a).

To better understand if (or how) state adoption of the Code is reflected in the enforcement and disclosure of disciplinary actions for ethical violations, we examine a sample of recent AICPA disciplinary actions. The AICPA maintains a Professional Ethics Division, which investigates potential disciplinary matters involving members. The investigation and enforcement process is briefly summarized below.

2.1 AICPA Enforcement Proceedings

The AICPA and each state accounting society are authorized to maintain their own respective codes of professional conduct for members. States that formally adopt the AICPA Code of Professional Conduct utilize the AICPA's ethics framework, while states that have not adopted the Code (or have partially adopted the Code) still maintain similar provisions. Due to the amount of overlap and similarities between states, the AICPA and state accounting boards have joined together to form a Joint Ethics Enforcement Program (JEEP). One of the common objectives of the JEEP is to

"…promote and maintain high professional standards of practice by their members" and "describe how a member who may have departed from the criteria for continued membership will be investigated, judged, and, if found to have violated the rules, sanctioned" (AICPA, 2019(c) Ch. 1.1, p. 4).

When a complaint about a CPA is filed, the AICPA conducts an initial review, and, if necessary, examines the matter in accordance with the JEEP procedures. When the ethics committee determines further investigation is warranted, the proceedings are conducted confidentially and results are not made public unless: a.) the matter is referred to a hearing panel of the Joint Trial Board and the panel finds the CPA guilty of violating the Code or b.) the investigation results in a settlement agreement involving a suspension or expulsion and the member agrees to publication (AICPA, 2019c).

Once an investigation has started, there are several different outcomes that can occur. For the most severe offenses, the AICPA can permanently expel members, or suspend membership for up to two years. Expulsions and suspensions can occur with or without a hearing depending on the offense, and the publication of expulsion/suspension is mandatory. AICPA members that have been found to violate the Code may also be publicly admonished if the severity of the offense does not warrant suspension. If the investigation determines remedial action is appropriate and the gravity of the violation does not warrant suspension or expulsion, letters of required corrective action may be issued (these are not made public). If the ethics committee finds no evidence that the Code has been violated, the complaint may be dismissed. If the ethics committee cannot obtain sufficient evidence that the Code has been violated (or decides the investigation should not be pursued), no further action may be taken (AICPA, 2019c).

AICPA investigations may also overlap with investigations conducted by other regulatory bodies. The Securities and Exchange Commission (SEC) may investigate auditors for violations of federal securities laws; the Public Company Accounting Oversight Board (PCAOB) may investigate auditors for violations of Sarbanes-Oxley and other federal securities laws; and the Internal Revenue Service (IRS) may investigate tax professionals for violations of the professional standards.

2.2 Related Literature

Empirical research of CPA ethical sanctions is somewhat limited given the complicating regulation factors mentioned above, as well as data collection and privacy issues, but there are several published studies that relate to the current study. Loeb (1972) inspected the disciplinary files of a large, mid-western state accounting society from 1905-1969 and found very few charges made against CPAs during that time period. Most of the proceedings resulting in convictions were violations against colleagues, whereas there were very few cases of offenses against the client. He found the severity of the punishments imposed were not related to the past record of the CPA and suggested a national data bank containing records of the professional activities of CPAs as an effective way to address the issue. Tidtrick (1990) also examined disciplinary actions taken by the AICPA in a more recent sample between 1980 and 1990, and found evidence that only one-third of the disciplinary actions during that time were initiated by the AICPA and handled by the Joint Trial Board. The remaining two-thirds were initiated by outside parties and handled under the automatic provisions of the AICPA's Bylaws. He emphasized that the regulated nature of the profession (state boards, AICPA, federal government entities, etc.) made it difficult to determine the effectiveness or efficiency of a single agency.

Moriarity (2000) studied AICPA disciplinary actions before and after the adoption of the Code in 1988. He found the 1988 changes improved the effectiveness and uniformity of self-regulation among the profession. The results also indicate the profession was seeking to improve the behavior of the individuals sanctioned by requiring professional education to correct deficiencies in place of more punitive sanctions. Badawi (2002) investigated the most common categories of ethical violations and disciplinary outcomes for practicing CPAs and summarized changes made to the Code over time. More recently, Armitage and Moriarity (2016) examined AICPA disciplinary outcomes over the period 1980-2014 and identified changes to the process. They found an increasing reliance on public regulation of the profession, declining self-regulation and more stringent sanctions imposed in recent years.

Another related study is that of Collin and Schultz (1995), who reviewed issues stemming from the 1988 revisions made to the Code itself, including client confidentiality and whistleblowing, limited liability and auditor independence. They found parts of the revised Code to be at odds with the notion that CPAs primarily serve the public interest and suggest that the Code be viewed as a transitional document requiring further evaluation. Krom (2016) also examined disciplinary actions against CPAs, but was only able to obtain data from state boards of accountancy over the period 2008-2014 in four states: California, Illinois, New York and Texas. She raises questions about the effectiveness of state board sanctions in deterring and punishing misconduct, as well as the usefulness and relevance of sanctions for conduct unrelated to a CPA's professional responsibilities.

The prior literature has identified issues relating to the self-regulation of the accounting profession, including inconsistencies in the detection and reporting of violations as well as the disciplinary actions and other sanctions associated with violations. However, as technology and digitalization have allowed CPAs to transact across state lines (and international boundaries), new challenges have emerged relating to license mobility laws. Moreover, many of the prior studies examining disciplinary actions are old and exclude emerging ethical issues. None of the previous work considers the impact of state board adoption of the Code, which has been advertised by both NASBA and the AICPA as improving uniformity and consistency in the application of and adherence to ethical standards. This study updates and extends previous work on AICPA disciplinary actions and begins the discussion on the effects of statewide adoption of the Code of Professional Conduct.

3. Data and Methodology

3.1 AICPA Enforcement Actions

The Enforcement Resources Committee of the NASBA compiles CPA disciplinary information disseminated by federal agencies each year. This information is then shared with each state accountancy board for further scrutiny (NASBA, 2019(b)). These Quarterly Enforcement Reports contain violations captured from AICPA, SEC, PCAOB, and IRS publications. Because the focus of our study is limited to AICPA disciplinary actions, we restrict our sample to include only those incidents that are included in the AICPA tab of the report.

The AICPA component of Quarterly Enforcement Reports includes the following information: 1) Name of party involved with a specific link to the summary action contained on the AICPA's website, 2) State specifically referenced in the agency report (licensure, location of violation, court of jurisdiction, etc.), 3) Additional states where licensing jurisdiction might extend, 4) Effective date of the sanction or hearing, and 5) Summary of hearing including the conclusion or consequences imposed.

Due to data availability constraints, we are unable to obtain Quarterly Enforcement reports prior to 2014. Thus, our data includes AICPA related ethics violations with disposition dates spanning from the first quarter of 2014 through the third quarter of 2017. We also utilize the AICPA's Disciplinary Actions website for more details about the violations (AICPA, 2019(b)).

3.2 AICPA Code of Professional Conduct

The AICPA Code of Professional Conduct was revised in 2014 along with several new initiatives to improve its implementation and adoption. One of these initiatives is the promotion of uniform adoption of the Code with NASBA. Information about this national effort, including a list of states that have chosen to adopt, not adopt, or partially adopt the Code, is available on the AICPA's website. The Code of Conduct, as well as many resources for CPAs on how to navigate the Code, are available through the AICPA's website. Information on the background and convergence efforts between AICPA and NASBA are obtained through NASBA's website and press releases.

4. Results

4.1 Status of Code Adoption

Table 1 reports the status of Code adoption for the 55 NASBA licensing jurisdictions (50 states, D.C., Puerto Rico, U.S. Virgin Islands, Guam, and CNMI). Over 60% of states have formally adopted at least part of the AICPA Code, with 24 states (44%) adopting it entirely and another 12 states (22%) partially adopting.

Table 1. AICPA Code of Professional Conduct: Adoption by State

Adopted	Not Adopted	Partially Adopted
Maine	Massachusetts	Washington
New Hampshire	Connecticut	Oregon
Rhode Island	Maryland	Nevada
New Jersey	District of Columbia	Wyoming
Delaware	New York	Colorado
Virginia	West Virginia	Kansas
South Carolina	Kentucky	Texas
Michigan	Georgia	Tennessee
Indiana	Florida	Ohio
Illinois	Alabama	North Carolina
Wisconsin	Louisiana	Pennsylvania
Missouri	Arkansas	Vermont
Mississippi	Iowa	
Minnesota	Nebraska	
North Dakota	Montana	
South Dakota	Arizona	
Oklahoma	California	
New Mexico	Hawaii	
Utah	CNMI	
Idaho		
Alaska		
Guam		
Puerto Rico		
USVI		
Total: 24 (43.6%)	19 (34.5%)	12 (21.8%)

Description: AICPA Code of Professional Conduct adoption by state.

Table 2, Panel A provides the details of each AICPA disciplinary action in the sample by state of residence and includes the status of Code adoption for each state. The top 15 states comprise over 70% of all disciplinary actions in the sample. New York (10%), Florida (9%), California (9%), Texas (6%) and New Jersey (5%) have the greatest proportion of disciplinary actions, consistent with prior research as well as recent population estimates. Interestingly, all three states with the highest percentage of disciplinary actions (NY, FL CA) have chosen not to formally adopt the Code.

Panel B provides additional details on the 624 disciplinary actions. Of the 24 states that have formally adopted the Code, New Jersey has the highest number of ethics enforcement cases (32), approximately 21%, followed by Illinois (25 cases) at 16% and Utah (17 cases) at 11%. Of the states that have chosen not to adopt the Code, New York has the highest number of cases (65), approximately 22%, then Florida (57 cases) at 20% and California (56 cases) with 19%. Of the states that have partially adopted the Code, Texas has the greatest number of enforcement cases (39), approximately 23%, followed by North Carolina (31 cases) at 18% and Kansas (18 cases) with 10%.

Table 2. AICPA Ethics Enforcement

Panel A: AICPA Ethics Enforcement: Cases by State

	State	Code Adoption	# Cases	%
1	New York	No	65	10.4
2	Florida	No	57	9.1
3	California	No	56	9.0
4	Texas	Partial	39	6.3
5	New Jersey	Yes	32	5.1
6	North Carolina	Partial	31	5.0
7	Arizona	No	26	4.2
8	Illinois	Yes	25	4.0
9	Georgia	No	19	3.0
10	Kansas	Partial	18	2.9
11	Pennsylvania	Partial	18	2.9
12	Utah	Yes	17	2.7
13	Michigan	Yes	15	2.4
14	Colorado	Partial	13	2.1
15	Connecticut	No	13	2.1
16	Other Jurisdictions	Various	180	29
	Total		624	100

Panel B: AICPA Ethics Enforcement: Cases by State

Adopted	# Cases	Not Adopted	# Cases	Partially Adopted	# Cases
NJ	32	NY	65	TX	39
IL	25	FL	57	NC	31
UT	17	CA	56	KS	18
MI	15	AZ	26	PA	18
IN	13	GA	19	CO	13
MO	13	CT	13	OH	12
OK	9	AL	12	TN	12
WI	7	MA	12	OR	11
MN	5	LA	9	NV	8
SC	5	IA	7	WA	8
VA	5	MD	6	WY	2
ID	3	HI	4		
ME	2	AR	3		
MS	2	KY	3		
DE	1	WV	3		
NM	1	NE	2		
Total	155 (24.8%)		297 (47.6%)		172 (27.6%)

Description: Details of each AICPA disciplinary action by state of residence.

Table 3 compares our sample of ethics violations with two prior studies on AICPA enforcement actions, Moriarity (2000) and Badawi (2002). The proportion of enforcement activity over the period has remained fairly consistent in most states, but there are a few notable trends. We find a large reduction in the percentage of disciplinary actions in Pennsylvania and Texas, both of which have partially adopted the Code. We also find a reduction in the percentage of disciplinary as compared to Badawi (2002) for Missouri and Illinois, which have both adopted the Code. We also find a large increase in the percentage of disciplinary actions in Florida (no adoption of the Code), North Carolina and Kansas (partially adopted the Code), Utah and Michigan (adopted the Code).

Another trend in Table 3 is the increasing number of "Other" jurisdictions contributing to the overall total of disciplinary actions for ethics violations. The samples in Badawi (2002) and Moriarity (2000) focus on disciplinary actions from the 1980s and 1990s. In these samples, about 75% of the disciplinary activity occurred in the top 15 states, but in our sample this number decreased to 65% whereas 35% of AICPA's disciplinary activity for ethics-related issues occurs in other licensing jurisdictions.

Table 3. AICPA Ethics Enforcement: Cases by State

State	Badawi (2002) 1994-1995 %	Moriarity (2000) 1980-1999 %	Our Sample 2014-2017 %
New York	18	11	10
California	10	10	9
Texas	11	9	6
New Jersey	4	7	5
Pennsylvania	6	6	3
Florida	2	6	9
Arizona	2	5	4
Illinois	6	4	4
Georgia	2	3	3
Connecticut	3	3	2
Ohio	1	3	2
Washington	1	2	1
Massachusetts	2	2	2
Missouri	4	2	2
Colorado	2	2	2
Other	26	25	35
Total	100	100	100

Description: Comparison of ethics cases included in sample with Moriarity (2000) and Badawi (2002).

4.2 AICPA Disciplinary Actions

Table 4, Panel A reports the types of disciplinary actions included in the sample. We find six different AICPA "case types" in our sample:

1) Automatic disciplinary provision (as established by the AICPA Bylaws)
2) Hearing occurring in front of the Joint Trial Board
3) Guilty plea in lieu of a hearing
4) Settlement in lieu of an investigation
5) Investigation leading to a hearing
6) Investigation leading to a settlement

The most common case type in our sample is an automatic disciplinary provision, occurring 360 times (58%) over the four years in our sample. The percentage of automatic disciplinary provisions was decreasing each year, from 74% in 2014 to 47% in 2017. The next most common case type is an investigation by the AICPA leading to a settlement, occurring 168 times (27%). The percentage of this case type is increasing each year, from 15 (10%) in 2014 to 50 (36%) in 2017. Less frequently occurring case types include hearings in front of the joint trial board (7% of total), settlements in lieu of an investigation (4% of total), investigations leading to a hearing (4% of total) and guilty pleas in lieu of an investigation, occurring only three times (0.5%) during our sample period. Additionally, the greatest number of disciplinary actions occurred in 2016 (231) and the fewest occurred in 2015 (100).

Table 4. AICPA Disciplinary Actions: Disposition by Year

Panel A: Disposition by Year

Year	Total	Automatic disciplinary provision	% of Yearly Total	Hearing - Joint trial board	% of Yearly Total	Guilty plea in lieu of Hearing	% of Yearly Total	Settlement in lieu of Investigation	% of Yearly Total	Investigation: Hearing	% of Yearly Total	Investigation: Settlement	% of Yearly Total
2014	156	116	0.74	14	0.09	1	0.01	10	0.06			15	0.10
2015	100	57	0.57	16	0.16			5	0.05			22	0.22
2016	231	122	0.53	7	0.03			7	0.03	14	0.06	81	0.35
2017	137	65	0.47	6	0.04	2	0.01	3	0.02	11	0.08	50	0.36
Total	624	360		43		3		25		25		168	

Panel B: Case Type and State Adoption of Code of Professional Conduct

Code Adoption	Automatic disciplinary provision	%	Hearing - Joint trial board	%	Guilty plea in lieu of Hearing	%	Settlement in lieu of Investigation	%	Investigation: Hearing	%	Investigation: Settlement	%
Yes	96	27	7	16	1	33	5	20	6	24	40	24
No	138	38	28	65	2	67	10	40	13	52	106	63
Partial	126	35	8	19			10	40	6	24	22	13
Total	360	100	43	100	3	100	25	100	25	100	168	100

Panel C: AICPA Ethics Enforcement: Case Type and State

State	Automatic disciplinary provision	Hearing - Joint trial board	Guilty plea in lieu of Hearing	Settlement in lieu of Investigation	Investigation: Hearing	Investigation: Settlement	Total	% of Total
AL	6					6	12	1.92
AR	1					2	3	0.48
AZ	17	1		4		4	26	4.17
CA	31	6		3	1	15	56	8.97
CO	9	1		1		2	13	2.08
CT	7	2			1	3	13	2.08
DE					1		1	0.16
FL	28	8		1	3	17	57	9.13
GA	7	2			2	8	19	3.04
HI	1	1				2	4	0.64
IA	5					2	7	1.12
ID	3						3	0.48
IL	20				1	4	25	4.01
IN	8	2				3	13	2.08
KS	13			4		1	18	2.88
KY	2				1		3	0.48
LA	1	2		1		5	9	1.44
MA	4	1		1	1	5	12	1.92
MD	2	1				3	6	0.96
ME	1	1					2	0.32
MI	8	1		1	1	4	15	2.40
MN	2	1				2	5	0.80
MO	10			3			13	2.08
MS						2	2	0.32
NC	27			3	1		31	4.97
NE						2	2	0.32
NJ	16	1	1	1		13	32	5.13
NM						1	1	0.16
NV	6					2	8	1.28
NY	25	4	2		4	30	65	10.42
OH	5				2	5	12	1.92
OK	5	1				3	9	1.44
OR	10					1	11	1.76
PA	11	1			1	5	18	2.88
SC	2					3	5	0.80
TN	7	2			1	2	12	1.92
TX	29	4		2		4	39	6.25
UT	15					2	17	2.72
VA	1				3	1	5	0.80
WA	7				1		8	1.28
WI	5					2	7	1.12
WV	1					2	3	0.48
WY	2						2	0.32
Total	360	43	3	25	25	168	624	100

Once the investigation progresses, there are several different outcomes for CPAs, depending on the severity of the violation. AICPA dispositions in our sample include: 1) Admonishment, 2) Settlement with Joint Ethics Committee, 3) Termination of AICPA Membership, and 4) Suspension of AICPA Membership. When admonishment occurs, publication is mandatory. CPAs are typically admonished when the Code has been violated but the gravity of the offense does not warrant suspension. Admonishments are published on the AICPA's website and are generally removed one year after the effective date of the admonishment (AICPA, 2019(b)). For suspension/termination, the AICPA can also suspend or terminate a CPA's membership with or without a hearing depending on the offense. Table 5 presents the year and dispositions of ethics violations in our sample and Panel B provides the breakdown by disposition and state Code adoption.

Table 5. AICPA Ethics Enforcement: Year and Disposition

Panel A. Year and Disposition

Year	Admonishment	%	Settlement Joint Ethics	%	Terminated	%	Suspended	%	Total
2014	42	40	23	13	60	30	31	22	156
2015	15	14	27	15	33	17	25	18	100
2016	29	28	81	45	59	30	62	44	231
2017	18	17	48	27	47	24	24	17	137
Total	104	100	179	100	199	100	142	100	624

Panel B. Disposition and State Adoption of Code of Professional Conduct

CPC Adoption	Admonishment	%	Settlement Joint Ethics	%	Terminated	%	Suspended	%
Yes	19	18	43	24	57	29	36	25
No	39	38	109	61	95	48	54	38
Partial	46	44	27	15	47	24	52	37
Total	104	100	179	100	199	100	142	100

Description: Year, disposition, and state adoption of ethics violations in sample.

Finally, Table 6 provides additional insight on some of the other regulatory bodies that participate in the enforcement process. About one third of AICPA investigations were completed with another regulatory agency. The SEC participated in 90 investigations (14%), the PCAOB 50 investigations (8%), the Department of Labor 47 investigations (8%) and the IRS 10 (2%).

Table 6. AICPA Ethics Enforcement: Disposition and Other Investigative Bodies

Disposition	None	SEC	PCAOB	IRS	DOL	Total
Admonishment	97	1	4	2		
Settlement Joint Ethics	132				47	
Terminated	143	37	11	8		
Suspended	55	52	35			
Total	427 (68.4%)	90 (14.4%)	50 (8%)	10 (1.6%)	47 (7.5%)	624

Description: Coordination of AICPA disciplinary actions with other regulatory bodies.

5. Conclusion

While more research needs to be done in this area, ethics violations in accounting are being investigated and exposed publicly by the AICPA and other regulatory agencies. Statewide adoption of the AICPA Code of Professional Conduct is of interest to all CPAs since professional incompetence and/or misconduct fails to protect the public interest and hurts the integrity of the profession as a whole. Despite the support of NASBA and the AICPA and the importance of uniformity and consistency in the enforcement process, only 43% of state accounting boards have formally adopted the

Code, 35% of states have not adopted the Code and 22% have partially adopted the Code. Only two of the ten states with the greatest number of enforcement actions have chosen to adopt the Code.

In our sample of recent AICPA disciplinary actions, we find the most common type of investigation is an automatic disciplinary provision, which underscores the importance of maintaining consistency and uniformity among states in the enforcement process. The most common outcome for CPAs with violations in our sample is admonishment. We also note the frequency and involvement of other regulatory bodies in the enforcement process, another reason that uniform enforcement would be beneficial. More than one third of the AICPA investigations in the current sample involved another regulatory agency (PCAOB, DOL, IRS, etc.).

5.1 Suggestions for Future Research

This research serves as in introduction to the discussion of statewide adoption of the Code and raises a number of issues worthy of further investigation, especially as it relates to ethics violations, sanctions and reciprocity. For example, the fact that there are inconsistencies in the ethics codes adopted throughout the 55 NASBA reporting jurisdictions may be problematic. Future studies can examine whether there are substantive differences in these state boards and in what areas. For states that have not adopted any part of the Code, more explanation is required as to why this is the case. For states that have partially adopted the Code, future studies may consider which subject areas of the Code have been excluded and why.

Another potential area of interest for researchers is the comparison of the AICPA Code of Professional Conduct with international Codes of Conduct (for example, the International Federation of Accountants' [IFAC] Code of Ethics for Professional Accountants, Chinese Institute of Certified Public Accountants [CICPA] Code of Ethics for Professional Accountants, the Institute of Chartered Accountants in England and Wales [ICAEW] Code of Ethics, etc.) Even small inconsistencies in the expectations, application and enforcement of these codes of conduct can create major complications for CPA firms practicing internationally.

Ultimately, more scrutiny is required to determine if the adoption of the Code has improved compliance with professional rules and the uniformity in which disciplinary actions are applied. The current study is limited by data availability but brings an emerging issue to light and begins an important discussion. Future researchers may benefit from the growing sample as more states continue to adopt (or choose not to adopt) the Code. We expect to see more on this topic in the future, particularly related to the benefits of statewide adoption advertised by NASBA and the AICPA.

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