

AICPA RELEASES SOP 98-3

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The American Institute of CPA's (AICPA) has issued Statement of Position (SOP) 98-3, which deals with several ethics rulings. Among these rulings is an amendment to Ruling No. 31 under Rule of Conduct No. 101. The draft of this proposed ruling was reported in *Ledger Quarterly* in the Winter 1998 issue. With the release of SOP 98-3, the Ruling becomes official.

This modification to existing ethics rulings will allow a CPA, in certain limited circumstances, to consider himself independent and still be able to perform audit work for an Association in which he owns property and is a member. The conditions that must be met are:

1. The Association performs functions similar to local government, such as public safety, road maintenance and utilities (this will generally mean that the Association would be a large scale planned development).
2. The member or member's firm's annual assessment is not material to either the member or member's firm, or the Association's operating budgeted assessments.

3. The liquidation of the Association or the sale of common assets would not result in the distribution to the member or member's firm (this will require a careful reading of the Association's governing documents to determine how assets are treated upon dissolution and liquidation of the Association).

4. Creditors of the Association would not have recourse to the member or member's firm, if the Association became insolvent.

5. The member or member's firm does not act, or appears to act, in any capacity equivalent to a member of management or employee for the Association, including membership on the board of directors or a committee.

Note: A modified version of this article was published in CAI's "Ledger Quarterly," Summer 1998 Issue

