

Washington State Ethics & Regulations for CPA Applicants

Washington ethics for CPA applicants	1
About this study guide	1
About the Board’s test	1
Board objectives	1
Common misunderstandings before we begin	3
The CPA profession is a government regulated profession.....	3
Washington administrative rules have the force of law	3
Washington administrative rules can be more restrictive.....	3
The CPA is the ethical decision maker, not the standard setter	3
Covered relationships are broadly defined.....	4
Washington primary authorities	4
Revised Code of Washington	4
Washington State Board of Accountancy	4
Washington Administrative Code	5
Washington Board of Accountancy Board Policies.....	5
The American Institute of Certified Public Accountants	5
The Public Company Accounting Oversight Board	6
The Washington Public Accountancy Act.....	6
Purpose	6
Promoting the dependability of information.....	6
Protecting the public interest.....	6
Exception for government officials or government employees.....	7
Washington covered titles and services	7
"Certified public accountant" or "CPA"	7
"CPA Inactive Certificate holder"	7
"CPA Retired"	8
"Military Status"	8
"Representing oneself"	8
"Holding out".....	8
The "practice of public accounting"	8
"Attest services"	9
"Compilation"	9
Standards that govern a CPA.....	9
Board expectations	9
The AICPA Code of Professional Conduct	10
AICPA rules for members in public practice	10
AICPA rules for members in business.....	11
AICPA rules for other members	11
Integrity and objectivity.....	11
Washington rule	11
AICPA rule.....	12
Conflicts of interest	12
Obligations to an external accountant.....	14
Knowing misrepresentations.....	15
Subordination of judgment	15
Client advocacy	16

Washington Ethics for CPA Applicants

Professional competence.....	17
Washington rule	17
AICPA rule.....	17
Compliance with standards and departures	17
Washington rule	17
AICPA rule and following standards	19
AICPA rule and departures from standards.....	19
Confidential client information	19
Washington rule	19
AICPA rule.....	20
Acts discreditable and professional misconduct	20
Washington rule	20
AICPA rule.....	20
Discrimination and harassment in employment	20
Soliciting CPA exam questions	20
Failure to file tax returns.....	21
Negligence in the preparation of financial statements or records	21
Failure to follow regulatory standards.....	21
Failure to follow governmental audit standards.....	22
Indemnification and limitation of liability provisions.....	22
Information obtained from employment or volunteer activities.....	22
False, misleading, and deceptive acts in marketing.....	24
Use of the CPA credential	24
Failure to return client records.....	25
Removing client files or proprietary information from a firm.....	25
Use of confidential information from non-client sources	25
Washington rules for client records.....	25
Definitions	25
Requirements to provide requested records	26
Electronic records	26
Non-payment by client	26
Allowable fees and timing	26
Records retention.....	27
Independence	27
Washington rule	27
AICPA rule.....	28
Independence defined.....	28
Evaluating threat to independence	28
Fees and other types of remuneration	29
Commissions and referral fees	29
Contingent fees	29
AICPA rule on commissions and referral fees	29
AICPA rule on contingent fees	30
Disclosures for commissions, referral, or contingent fees	30

Advertising and other forms of solicitation	30
Washington rule	30
AICPA rule	31
Form of organization or name	31
Washington rule	31
AICPA rule	31
The initial CPA license	32
Education requirements	32
The CPA exam	32
Experience requirements to obtain a CPA license	33
Verifying experience	34
Applying for an initial CPA license	35
When use of the CPA title is allowed after initial application	35
Special rule for first CPE reporting period	36
CPA's licensed in other states applying for a Washington license	36
CPA firm licensing requirements	36
General requirements	36
Allowable forms of organization	36
Changes to legal forms	37
Ownership requirements	37
Renewal	38
Renewal of an individual license	38
Late renewal application	38
Failure to file a renewal application	38
Failure to complete CPE	39
Lapsed credentials	39
Continuing competency for firms	39
Quality assurance review (QAR) for licensed firms	39
Mandatory peer review	39
Enrollment in peer review	40
Peer review exemptions	40
Board approved peer reviews	41
Potential Board actions for substandard reports	41
Continuing competency for individuals	42
Continuing professional education (CPE) requirements	42
Requirements for CPA's	42
Required rules for ethics CPE	42
Extensions of time to obtain CPE	43
Self-reported deficiencies	44
Program standards for CPE	44
Qualifying subjects	45
Group programs	46
Self-study programs	47
Carry forward and carry back of credits	47
Examinations and review courses	47
Reporting CPE to the Board	47

Required documentation for CPE credits.....	48
Acceptable evidence of completion.....	48
Records retention	48
Administration	49
Contacting the Board.....	49
Notifying the Board of a change of address.....	49
Responding to inquiries from the Board	49
Reportable enforcement actions by other bodies	49
Bases for the Board to impose discipline	50
Washington State Board of Accountancy enforcement.....	54
Board disciplinary actions	54
Board investigations	54
Administrative sanctions for first-time offenses	55
Sanctions and fines	56
Hearings before the Board.....	56
Settlement in lieu of a hearing	57
Brief adjudicative proceedings	57
Publication of Board orders and sanctions	58
Further Washington State resources	59
Web based	59
Electronic news from the Board of Accountancy.....	59
Public database of licensed individuals and firms	59
Public database of sanctions and Board orders.....	59
Review questions and answers.....	60
Review questions.....	60
Answers to review questions	66

Washington ethics for CPA applicants

About this study guide

Effective January 1, 2014, the Washington State Board of Accountancy (the Board) amended its rules to require that applicants for an individual CPA license achieve and document a passing grade of 90% or better on a Board-approved initial course covering the Washington State Public Accountancy Act, related board rules, and board policies. WAC 4-30-080(1)(f).

This is in addition to the existing requirement that applicants achieve and document a passing grade of 90% or better on a course covering the complete content of the AICPA Code of Professional Conduct. WAC 4-030-080(1)(e).

The purpose of this study guide is to prepare you for the test on Washington ethics and regulations. Because this course discusses both Washington regulations and the AICPA ethics exam, you will find this course much more valuable to the extent you have already taken the AICPA ethics exam.

About the Board's test

To register, contact the Board at customerservice@cpaboard.wa.gov and provide your first name, last name, and email address.

The Board will create a user name and password for you and send it to your email address. When you log in for the first time, you will be asked to create a unique personal password for the account.

The test has a maximum time limit of eight hours and must be completed in one session without logging out. It is an open-book exam, so you are able to use the resources provided to verify your answers, including this study guide, the Board's rules, the RCW, and Board policies.

If you pass the exam, receiving a score of 90% or better, you will receive a formal certificate of completion. Please print this certification as you will be required to upload it once you have successfully applied for your Washington license.

If you fail, email the Board and request permission to retake the online ethics exam again.

Board objectives

Every Washington CPA is required to understand and maintain their knowledge of Washington ethics and regulations. During each three-year reporting period after initial licensing the Board requires all individuals to complete four continuing professional education hours in ethics.

The purposes of this study guide and the test is to provide you the same understanding of ethics in Washington that is required of existing licensees, and will be required of you as long as you maintain a CPA license.

For existing licenses, the content of the course must generally be specific to the laws and rules applicable to the regulatory framework in Washington including the administrative requirements for an individual's initial and continued use of restricted titles in this state. WAC 4-30-134.

The content of the course must be specific to the laws and rules applicable to the regulatory framework in Washington including the administrative requirements for an individual's initial and continued use of restricted titles in this state.

All CPE authors must submit course materials for the ethics course to the Board for approval prior to delivery of the content for credit.

The ethics and regulations course materials must cover all of the following topics, and instructors of approved courses must substantially address these topics in their presentations:

- General level information on the AICPA Code of Conduct.
- General level information on the Public Accountancy Act, the Board's rules, policies, including recent or pending changes therein, and the rule-making process.
- Emphasis must be placed on key differences between Washington law, the Board's rules, and the AICPA Code of Conduct.

The course must also include detailed information on the following:

- How can I contact the Board?
- Do I need to notify the Board if I change my address?
- Must I respond to inquiries from the Board?
- Ethics and prohibited practices, including related Board policies, if any.
- Continuing competency, including related Board policies, if any.
- What are the bases for the Board to impose discipline?
- Other topics or information as defined by Board policy.

The course must also include case study scenarios demonstrating how to comply with the relevant provisions of the AICPA Code of Conduct and the Board's statutory or regulatory framework when faced with ethical situations that might occur when offering or performing a specific type of professional service in the practice of public

accounting or as a professionally regulated person not in the practice of public accounting.

At least 60% of the course material content, presentation time, and commentary must include general level information on the Public Accountancy Act, the Board's rules and policies, including recent or pending changes thereto, variances of key differences between Washington law, the Board's rules, and the AICPA Code of Conduct, and scenarios demonstrating the different compliance outcomes that might result because the Board's rules prevail when the Board's rules vary from the AICPA Code of Professional Conduct and/or related official AICPA interpretations.

Common misunderstandings before we begin

The CPA profession is a government regulated profession

For more than 100 years, accounting has been a regulated profession in Washington for the purposes of consumer protection. Therefore, your right to represent yourself as a CPA and offer professional services is granted to you by Board and not by virtue of your education or membership in any voluntary membership organizations such as state CPA societies or similar national organizations.

Washington administrative rules have the force of law

Administrative rules in Washington are considered to have the force of the law they interpret. In the case of a conflict between Board rules and other professional standards, Board rules prevail. WAC 4-30-048.

For example, violating a rule of a voluntary professional organization that does not violate a Board rule may result in termination of membership from the organization. However, violating a Board rule could result in the Board revoking or suspending a license, a fine of \$30,000, restitution to injured parties, and failing to follow a Board order is considered a felony.

Washington administrative rules can be more restrictive

There are many professional standards on ethics, such as the AICPA Code of Conduct. However, because of the Board's focus on its duty of consumer protection, often times its rules can be more restrictive than other professional standards on ethics. It is your duty to understand both applicable professional standards on ethics and the Board's rules, and follow the more restrictive standard.

The CPA is the ethical decision maker, not the standard setter

Many professional standard setting bodies create rule-based systems for determining that a CPA has met an ethics standard in fact. However, these standards must also be met in appearance. Appearance is in the perception of a reasonable third party.

This places a greater emphasis on the judgment of the CPA to determine whether the CPA has met the standard in both fact and appearance and makes ethical decisions the responsibility of the CPA. The Boards considers ethics a personal decision of the CPA and not the standard setting body.

Covered relationships are broadly defined

The AICPA Code of Professional Conduct applies to providing “professional services.” The codes notes this includes all services requiring accountancy or related skills that are performed by a member for a client, an employer, or on a volunteer basis. These services include, but are not limited to accounting, audit and other attest services, tax, bookkeeping, management consulting, financial management, corporate governance, personal financial planning, business valuation, litigation support, educational, and other services. ET section 0.400.40.

Therefore, the legal relationship between the member, the employer, the firm, or the client does not alter the member’s responsibility to follow the AICPA Code of Professional Conduct.

Washington primary authorities

Revised Code of Washington

The Revised Code of Washington (“RCW”) is the compilation of all permanent laws now in force. It is a collection of the session laws enacted by the Legislature and signed by the Governor, or laws enacted via the initiative process.

The RCW is divided by title, chapters, and sections. For example, Title 18 RCW is Businesses and Professionals, Chapter 18.04 RCW is the Public Accountancy Act, and RCW 18.04.295 defines actions against a CPA license.

Washington State Board of Accountancy

The Washington State Board of Accountancy is the governmental agency authorized by the Washington State Public Accountancy Act.

The Board is comprised of nine members. Each is appointed by the Governor. Six of the Board members are Certified Public Accountants (CPAs) licensed and practicing in Washington State continuously for the previous ten years. Three of the Board members are public members who are qualified to judge whether the qualifications, activities, and professional practice of those regulated by the Board conform to standards to protect the public interest. At least one of the public members must represent the interests of clients of individuals and firms licensed under the Public Accountancy Act.

The operations of the Board are funded solely by fees and the Board receives no budgetary allocation from the state’s general fund. Any fines levied are not retained

by the Board, but are transferred into the state' general fund. RCW 18.04.065. Therefore, there is no fiscal motivation for the Board to levy fines.

Washington Administrative Code

The Washington Administrative Code ("WAC") is legislative, procedural, and interpretive rules written by administrative agencies and boards.

The Board is authorized by the RCW to specifically create rules to carry out the Public Accountancy Act. The Board's rules generally encompass definitions; the administration of the Board; ethics and prohibited practices; entry and renewal requirements; continuing competency; and regulation and enforcement. WAC 4-30-020.

It is divided by title, chapters, and rule. For example, Title 4 WAC is Board of Accountancy rules, Chapter 4-25 WAC are the general provisions, and WAC 4-30-042 is the rule for independence.

Washington Board of Accountancy Board Policies

The Board also creates and publishes Board Policies. These cover:

- 2000-1, Continuing Professional Education and Licensing Requirements.
- 2002-1, Substantially Equivalent Jurisdictions.
- 2002-2, Expert Witness Services.
- 2002-4, International Reciprocity.
- 2003-1, Safe Harbor Report Language for Use by Non-CPAs.
- 2004-1, Sanction and Penalty Guidelines.
- 2004-2, Exam Applicant Disability Documentation and Testing Modification Guidelines.
- 2011-1, Principles Underlying Board Rules.
- 2011-2, Interim Policy Guidelines Pending Rule Changes.
- 2012-1, Social Media.

The American Institute of Certified Public Accountants

The American Institute of Certified Public Accountants (AICPA) is the world's largest association representing the accounting profession, with over 400,000 members in 130 countries. Its mission is to provide members with the resources, information, and leadership that enable them to provide valuable services in the highest professional

manner to benefit the public as well as employers and clients. In fulfilling its mission, the AICPA works with state CPA organizations and gives priority to those areas where public reliance on CPA skills is most significant.

AICPA ethics rules are adopted by the AICPA Council, which determines Institute programs and policies. It has approximately 260 members with representatives from every state and U.S. territory.

While the AICPA ethics rules are very similar to board rules, the AICPA writes expansive and useful interpretations of its rules, which apply the AICPA Code of Professional Conduct to different factual situations.

The Public Company Accounting Oversight Board

The Public Company Accounting Oversight Board (PCAOB) is a private sector nonprofit corporation created by the Sarbanes-Oxley Act in 2003 to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of fair, informative, and independent audit reports.

The Washington Public Accountancy Act

Purpose

The Washington Public Accountancy Act is a consumer protection law intended to promote the dependability of information and to protect the public.

Promoting the dependability of information

The Act promotes the dependability of information which is used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private, or governmental. RCW 18.04.015(1)(a).

Protecting the public interest

In addition, the purpose is to protect the public interest by requiring that:

- Persons who hold themselves out as licensees or certificate holders conduct themselves in a competent, ethical, and professional manner. RCW 18.04.015(1)(b)(i).
- A public authority be established that is competent to prescribe and assess the qualifications of certified public accountants, including certificate holders who are not licensed for the practice of public accounting. RCW 18.04.015(1)(b)(ii).

- Persons other than licensees refrain from using the words "audit," "review," and "compilation" when designating a report customarily prepared by someone knowledgeable in accounting. RCW 18.04.015(1)(b)(iii).
- A public authority be established to provide for consumer alerts and public protection information to be published regarding persons or firms who violate the Act or Board rule and to provide general consumer protection information to the public. RCW 18.04.015(1)(b)(iv).
- The use of accounting titles likely to confuse the public is prohibited. RCW 18.04.015(1)(b)(v).

Exception for government officials or government employees

The Act does not apply to a CPA serving as an official or employee of a government entity. RCW 18.04.350(11).

Washington covered titles and services

"Certified public accountant" or "CPA"

"Certified public accountant" or "CPA" means a person holding a certified public accountant license or certificate. RCW 18.04.025(5).

"CPA Inactive Certificate holder"

"CPA Inactive Certificate holder" means the holder of a certificate as a certified public accountant who has not become a licensee, has maintained CPE requirements, and who does not practice public accounting. RCW 18.04.025(4). "Inactive" means the certificate is in an inactive status because a person who held a valid certificate before July 1, 2001, has not met the current requirements of licensure and has been granted inactive certificate holder status through an approval process established by the Board. RCW 18.04.025(11).

The CPA-Inactive status grandfathered in 2001 certain holders of certificates from among other requirements, increased educational requirements. This title is only available for those grandfathered in 2001 and CPA's cannot renew as CPA-Inactives.

Those with the CPA-Inactive title only have use of that title and are prohibited from holding themselves out to the public as engaging in the practice of public accounting. For example, a CPA-Inactive cannot use the title CPA, because that title is only allowed to CPA's. Similarly, A CPA-Inactive cannot use the title CPA-Inactive to sign a tax return because that is considered engaging in the practice of public accountancy. However, a CPA-Inactive is allowed to sign that return without the use of that title.

“CPA Retired”

“CPA Retired” means an individual who, upon notice to the Board to retire a license, has either reached sixty years of age and holds an active license in good standing; or at any age, has held an active license in good standing, not suspended or revoked, to practice public accounting in any state for a combined period of not less than twenty years. WAC 04-30-058.

Similar to “CPA-Inactive” status, a “CPA-Retired” titleholder is prohibited from holding themselves out to the public as engaging in the practice of public accounting.

“Military Status”

CPA’s and CPA-Inactive Certificate Holders may apply for a waiver of CPE and renewal fees when called to active military duty. When released from active military duty or discharged from the armed forces, the individual must apply to be returned to his or her previously held status. WAC 4-30-088.

"Representing oneself"

"Representing oneself" means having a license, practice privilege, certificate or registration that entitles the holder to use the title "CPA," "CPA-Inactive," or be a nonlicensee firm owner. WAC 04-30-010(42).

"Holding out"

"Holding out" means any representation to the public by the use of restricted titles by a person that the person holds a license or practice privileges under the Act and that the person offers to perform any professional services to the public. "Holding out" shall not affect or limit a person not required to hold a license under the Act. WAC 04-30-010(20).

The "practice of public accounting"

The "practice of public accounting" means performing or offering to perform by a person or firm holding itself out to the public as a licensee, for a client or potential client:

- One or more kinds of services involving the use of accounting or auditing skills, including the issuance of "audit reports," "review reports "or" compilation reports" on financial statements. RCW 18.04.025(19).
- One or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters. RCW 18.04.025(19).
- The "practice of public accounting" shall not include practices by persons or firms not required to be licensed as a CPA. RCW 18.04.025(19).

"Attest services"

"Attest" means providing the following financial statement services.

- Any audit or other engagement to be performed in accordance with the statements on auditing standards.
- Any review of a financial statement to be provided in accordance with the statements on standards for accounting and review services.
- Any examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements.
- Any engagement to be performed in accordance with the Public Company Accounting Oversight Board auditing standards. RCW 18.04.025(1).

"Compilation"

"Compilation" means providing a service to be performed in accordance with statements on standards for accounting and review services that is presenting in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the statements. RCW 18.04.025(6).

Standards that govern a CPA

Board expectations

In Board Policy 2011-1, the Board noted its general expectation of CPA's, CPA firms, and the underlying expectations in all of its rules:

- A person representing oneself as a CPA or using the CPA title must accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism.
- In carrying out their responsibilities, a person representing oneself as a CPA must exercise reasoned professional judgment in all their activities.
- To maintain and broaden public confidence a person representing oneself as a CPA must perform all professional responsibilities with the highest sense of honesty.
- A person representing oneself as a CPA must maintain objectivity at all times when rendering professional services. Specifically, a person representing oneself as a CPA must avoid rendering professional services where actual or perceived conflicts of interest exist and be independent in fact and appearance when required by professional standards.

In sum, a person representing oneself as a CPA must exercise due professional care to:

- Comply with federal and state laws and the profession's technical and ethical standards.
- Maintain competence and strive to improve the quality of services.
- Personally discharge professional responsibility with the highest sense of integrity, objectivity and ethical commitment.

The AICPA Code of Professional Conduct

The AICPA Code of Professional Conduct has been adopted by state boards as their code of professional conduct. It has eleven rules:

- Integrity and objectivity.
- Independence.
- General standards.
- Compliance with standards.
- Accounting principles.
- Acts discreditable.
- Contingent fees.
- Commissions and referral fees.
- Advertising and other forms of solicitation.
- Confidential client information.
- Form of organization or name.

For Washington purposes, a violation of the AICPA Code of Conduct is generally considered a violation of Board rules. WAC 4-30-142 and 4-30-048. However, Washington may adopt a more restrictive standard than the AICPA.

Your duty is to understand both AICPA and Board rules, and if in conflict, follow the more restrictive standard to protect the public.

AICPA rules for members in public practice

Members in public practice are subject to all eleven AICPA rules.

AICPA rules for members in business

Members in business are subject to five AICPA rules.

- Integrity and objectivity.
- General standards.
- Compliance with standards.
- Accounting principles.
- Acts discreditable.

Under the AICPA Code of Professional Conduct, a “member in business” is defined in the negative. It is a member who is employed or engaged on a contractual or volunteer basis in an executive, staff, governance, advisory, or administrative capacity in such areas as industry, the public sector, education, the not-for-profit sector, and regulatory or professional bodies. This does not include a member engaged in public practice. ET section 0.400.32.

AICPA rules for other members

Other members are subject to the rule for acts discreditable.

“Acts discreditable” is the broadest rule and includes specific interpretations based upon other AICPA rules such as integrity, objectivity, and confidentiality. Therefore, all members are still bound by these general principles as a matter of professional conduct and protecting the public interest, regardless if a specific rule does not apply to a member in business or other members.

Integrity and objectivity

Washington rule

When offering or performing services, licensees, CPA-Inactive certificate holders, nonlicensee firm owners, and employees of such persons must:

- Remain honest and objective,
- Not misrepresent facts,
- Not subordinate their judgment to others, and
- Remain free of conflicts of interest unless such conflicts are specifically permitted by Board rule or professional standards.

If the language of the professional standards differ from or conflict with specific board rules, Board rules prevail. WAC 4-30-040.

AICPA rule

ET sections 1.100.001 and 2.100.001 are the AICPA's rules on integrity and objectivity and are very similar to Washington's rule. However, in many cases, Washington's rule is more restrictive. For example:

- Under AICPA rules and interpretations, loans and other business transactions with clients may impair independence. Washington is more restrictive, and the Board considers it prima facie evidence that a CPA has engaged in dishonesty, fraud, or negligence if a CPA borrows funds from a client unless the client is in the business of making loans of the type obtained by the CPA and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness. WAC 4-30-142(8).
- Self-dealing as a trustee is prohibited by Board rule. Self-dealing as a trustee, including, but not limited to investing trust funds in entities controlled by or related to the trustee; borrowing from trust funds, with or without disclosure; and employing persons related to the trustee or entities in which the trust has a beneficial interest to provide services to the trust (unless specifically authorized by the trust creation document). WAC 4-30-142(9).

Conflicts of interest

A member or his or her firm may (if the member is in public practice) be faced with a conflict of interest when performing a professional service. In determining whether a professional service, relationship or matter would result in a conflict of interest, a member should use professional judgment, taking into account whether a reasonable and informed third party who is aware of the relevant information would conclude that a conflict of interest exists. ET sections 1.110.010.01 and 2.110.010.01.

A conflict of interest arises when a professional has multiple interests, and one is a directly adverse (not mutual) interest to another interest, which could possibly impair professional judgment. Sometimes the professional is in a situation of a potential conflict of interest between two different clients such as divorcing couples and sometimes it is directly between the professional and the client, such as with an employer or obtaining a loan from a client that is not a financial institution.

For members in public practice, the following are examples of situations in which conflicts of interest may arise:

- Providing corporate finance services to a client seeking to acquire an audit client of the firm, when the firm has obtained confidential information during the course of the audit that may be relevant to the transaction.

- Advising two clients at the same time who are competing to acquire the same company when the advice might be relevant to the parties' competitive positions.
- Providing services to both a vendor and a purchaser who are clients of the firm in relation to the same transaction.
- Preparing valuations of assets for two clients who are in an adversarial position with respect to the same assets.
- Representing two clients at the same time regarding the same matter who are in a legal dispute with each other, such as during divorce proceedings or the dissolution of a partnership.
- Providing a report for a licensor on royalties due under a license agreement while at the same time advising the licensee of the correctness of the amounts payable under the same license agreement.
- Advising a client to invest in a business in which, for example, the immediate family member of the member has a financial interest in the business.
- Providing strategic advice to a client on its competitive position while having a joint venture or similar interest with a competitor of the client.
- Advising a client on the acquisition of a business which the firm is also interested in acquiring.
- Advising a client on the purchase of a product or service while having a royalty or commission agreement with one of the potential vendors of that product or service.
- Providing forensic investigation services to a client for the purpose of evaluating or supporting contemplated litigation against another client of the firm.
- Providing tax or personal financial planning services for several members of a family whom the member knows to have opposing interests.
- Referring a personal financial planning or tax client to an insurance broker or other service provider, which refers clients to the member under an exclusive arrangement. ET section 1.110.010.04.

For members in business, the following are examples of situations in which conflicts of interest may arise:

- Serving in a management or governance position for two employing organizations and acquiring confidential information from one employing organization that could be used by the member to the advantage or disadvantage of the other employing organization.

- Undertaking a professional service for each of two parties in a partnership employing the member to assist in dissolving their partnership.
- Preparing financial information for certain members of management of the employing organization who are seeking to undertake a management buy-out.
- Being responsible for selecting a vendor for the member's employing organization when the member or his or her immediate family member could benefit financially from the transaction.
- Serving in a governance capacity or influencing an employing organization that is approving certain investments for the company in which one of those specific investments will increase the value of the personal investment portfolio of the member or his or her immediate family member. ET section 2.110.010.04.

When an actual conflict of interest has been identified, the member should evaluate the significance of the threat created by the conflict of interest to determine if the threat is at an acceptable level. Members should consider both qualitative and quantitative factors when evaluating the significance of the threat, including the extent to which existing safeguards already reduce the threat to an acceptable level. ET sections 1.110.010.09 and 2.110.010.07.

If the member concludes that the threat is not at an acceptable level, the member should apply safeguards to eliminate the threat or reduce it to an acceptable level. ET sections 1.110.010.10 and 2.110.010.09.

In cases where an identified threat may be so significant that no safeguards will eliminate the threat or reduce it to an acceptable level, or the member is unable to implement effective safeguards, the member should:

- Decline to perform or discontinue the professional services that would result in the conflict of interest; or
- Terminate the relevant relationships or dispose of the relevant interests to eliminate the threat or reduce it to an acceptable level. ET sections 1.110.010.11 and 2.110.010.10.

For members in public practice, certain professional engagements, such as audits, reviews, and other attest services, require independence. Independence impairments cannot be eliminated by such disclosure and consent. ET section 1.110.010.03.

Obligations to an external accountant

Members in business must maintain objectivity and integrity in the performance of a professional service. When dealing with an employer's external accountant, a member must be candid and not knowingly misrepresent facts or knowingly fail to disclose material facts. This would include, for example, responding to specific inquiries for which the employer's external accountant requests written representation. ET section 2.130.030.01.

Knowing misrepresentations

A member would be considered to have knowingly misrepresented facts in violation if the member:

- Makes, or permits or directs another to make, materially false and misleading entries in an entity's financial statements or records;
- Fails to correct an entity's financial statements or records that are materially false and misleading when the member has the authority to record the entries; or
- Signs, or permits or directs another to sign, a document containing materially false and misleading information. ET sections 1.130.010.01 and 2.130.010.01.

Subordination of judgment

The integrity and objectivity prohibit a member from knowingly misrepresenting facts or subordinating his or her judgment when performing professional services for a client, for an employer, or on a volunteer basis. ET sections 1.130.020.01 and 2.130.020.01.

Self-interest, familiarity, and undue influence threats to the member's compliance with integrity and objectivity may exist when a member and his or her supervisor or any other person within the member's organization have a difference of opinion relating to the application of accounting principles; auditing standards; or other relevant professional standards, including standards applicable to tax and consulting services or applicable laws or regulations. ET sections 1.130.020.02 and 2.130.020.02.

In evaluating the significance of any identified threats, the member should determine, after appropriate research or consultation, whether the result of the position taken other person

- Fails to comply with professional standards, when applicable;
- Creates a material misrepresentation of fact; or
- May violate applicable laws or regulations.

If the member concludes that threats are at an acceptable level the member should discuss his or her conclusions with the person or supervisor taking the position. No further action would be needed. ET sections 1.130.020.05 and 2.130.020.05.

If the member concludes that the position results in a material misrepresentation of fact or a violation of applicable laws or regulations, then threats would not be at an acceptable level. In such circumstances, the member should discuss his or her concerns with the supervisor or person taking the position. ET sections 1.130.020.06 and 2.130.020.06.

If the difference of opinion is not resolved after discussing the concerns, the member should discuss his or her concerns with the appropriate higher level(s) of management within the member's organization (for example, the supervisor's immediate superior, senior management, and those charged with governance). ET sections 1.130.020.07 and 2.130.020.07.

If after discussing the concerns with the supervisor and appropriate higher level(s) of management within the member's organization, the member concludes that appropriate action was not taken, then the member should consider, in no specific order, the following safeguards:

- Determine whether the organization's internal policies and procedures have any additional requirements for reporting differences of opinion.
- Determine whether he or she is responsible for communicating to third parties, such as regulatory authorities or the organization's (former organization's) external accountant.
- Consult with his or her legal counsel regarding his or her responsibilities.
- Document his or her understanding of the facts, the accounting principles, auditing standards, or other relevant professional standards involved or applicable laws or regulations and the conversations and parties with whom these matters were discussed. ET sections 1.130.020.08 and 2.130.020.08.

If the member concludes that no safeguards can eliminate or reduce the threats to an acceptable level or if the member concludes that appropriate action was not taken, then he or she should consider the continuing relationship with the member's organization and take appropriate steps to eliminate his or her exposure to subordination of judgment. ET sections 1.130.020.08 and 2.130.020.08.

Nothing in this interpretation precludes a member from resigning from the organization at any time. However, resignation may not relieve the member of responsibilities in the situation, including any responsibility to disclose concerns to third parties, such as regulatory authorities or the employer's (former employer's) external accountant. ET sections 1.130.020.10 and 2.130.020.10.

Client advocacy

For members in public practice, an advocacy threat to integrity and objectivity may exist when a member or the member's firm is engaged to perform nonattest services, such as tax and consulting services, that involve acting as an advocate for the client or to support a client's position on accounting or financial reporting issues either within the firm or outside the firm with standard setters, regulators, or others. ET section 1.140.020.01.

Some professional services involving client advocacy may stretch the bounds of performance standards, go beyond sound and reasonable professional practice, or compromise credibility, thereby creating threats to the member's compliance with the

rules and damaging the reputation of the member and the member's firm. If such circumstances exist, the member and member's firm should determine whether it is appropriate to perform the professional services. ET section 1.140.020.03.

Professional competence

Washington rule

CPAs must not undertake to perform any service unless they can reasonably expect to complete the service with professional competence. WAC 4-30-046.

AICPA rule

ET sections 1.300.001.01 and 2.300.001.01 are the AICPA's rules on professional competence and expands upon the various elements of competence.

Competence

A member shall undertake only those professional services that the member or the member's firm can reasonably expect to be completed with professional competence. ET sections 1.300.001.01 and 2.300.001.01.

Due professional care

A member shall exercise due professional care in the performance of professional services. ET sections 1.300.001.01 and 2.300.001.01.

Adequate planning and supervision

A member shall adequately plan and supervise the performance of professional services. ET sections 1.300.001.01 and 2.300.001.01.

Sufficient data

A member shall obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed. ET sections 1.300.001.01 and 2.300.001.01.

Compliance with standards and departures

Washington rule

CPAs must comply with rules, regulations, and professional standards promulgated by the appropriate bodies for each service undertaken. However, if the requirements found in the professional standards differ from the requirements found in specific Board rules, Board rules prevail. WAC 4-30-048.

Such appropriate bodies include, but are not limited to, the Securities and Exchange Commission (SEC); the Public Company Accounting Oversight Board (PCAOB); the Financial Accounting Standards Board (FASB); the Governmental Accounting Standards Board (GASB); the Cost Accounting Standards Board (CASB); the Federal Accounting Standards Advisory Board (FASAB); the U.S. Government Accountability Office (GAO); the Federal Office of Management and Budget (OMB); the Internal Revenue Service (IRS); the American Institute of Certified Public Accountants (AICPA), and federal, state, and local audit, regulatory and tax agencies. WAC 4-30-048.

Examples of professional standards include:

- Statements on Auditing Standards and related Auditing Interpretations issued by the AICPA. WAC 4-30-048(1).
- Statements on Standards for Accounting and Review Services and related Accounting and Review Services Interpretations issued by the AICPA. WAC 4-30-048(2).
- Statements on Governmental Accounting and Financial Reporting Standards issued by GASB. WAC 4-30-048(3).
- Statements on Standards for Attestation Engagements and related Attestation Engagements Interpretations issued by AICPA. WAC 4-30-048(4).
- Statements of Financial Accounting Standards and Interpretations, and Staff Positions issued by FASB, together with those Accounting Research Bulletins and Accounting Principles Board Opinions which are not superseded by action of the FASB. WAC 4-30-048(5).
- Statement on Standards for Consulting Services issued by the AICPA. WAC 4-30-048(6).
- Statements on Quality Control Standards issued by the AICPA. WAC 4-30-048(7).
- Statements on Standards for Tax Services and Interpretation of Statements on Standards for Tax Services issued by the AICPA. WAC 4-30-048(8).
- Statements on Responsibilities in Personal Financial Planning Practice issued by the AICPA. WAC 4-30-048(9).
- Statements on Standards for Litigation Services issued by the AICPA. WAC 4-30-048(10).
- Professional Code of Conduct issued by the AICPA including interpretations and ethics rulings. WAC 4-30-048(11).
- Governmental Auditing Standards issued by the U.S. Government Accountability Office. WAC 4-30-048(12).

- AICPA Industry Audit and Accounting Guides. WAC 4-30-048(13).
- SEC Rules, Concept Releases, Interpretative Releases, and Policy Statements. WAC 4-30-048(14).
- Standards issued by the PCAOB. WAC 4-30-048(15).
- IRS Circular 230. WAC 4-30-048(16).
- Any additional national or international standards recognized by the AICPA, PCAOB, SEC, and/or the GAO. WAC 4-30-048(17).

If the professional services are governed by standards not included in the above list, the CPA must maintain documentation of the justification for the departure from the standards; determine and document what standards are applicable; and demonstrate compliance with the applicable standards. WAC 4-30-048(17).

AICPA rule and following standards

ET sections 1.310.001.01 and 2.310.001.01 are the AICPA's rules on following standards and Washington's is more specific.

AICPA rule and departures from standards

ET sections 1.320.001.01 and 2.320.001.01 are the AICPA's rules on departures from standards and are very similar to Washington's.

Confidential client information

Washington rule

A CPA must not, without the written consent of the client or the heirs, successors or personal representatives of the client disclose any confidential communication or information pertaining to the client obtained in the course of performing professional services. WAC 4-30-050(3).

No statement, record, schedule, working paper, or memorandum, including electronic records, may be sold, transferred, or bequeathed with the consent of the client or his or her personal representative or assignee to anyone other than one or more surviving partners, shareholders, or new partners or shareholders of the licensee, partnership, limited liability company, or corporation, or any combined or merged professional practice. WAC 4-30-050(2).

Exceptions to client confidentiality

This rule does not effect in any way a CPA's obligation to comply with:

- A lawfully issued subpoena or summons.

- Prohibit disclosures in the course of a quality review of a licensee's attest services.
- Preclude a CPA from responding to any inquiry made by the Board or any investigative or disciplinary body established by law or formally recognized by the Board.
- Preclude a review of client information in conjunction with a prospective purchase, sale, or merger of all or part of a CPA's practice. WAC 4-30-050(4).

AICPA rule

ET section 1.700.001.01 is the AICPA's rule on client confidentiality and is similar to Washington's rule, but Washington is more restrictive, as it also includes prospective clients as well as current and former clients.

Acts discreditable and professional misconduct

Washington rule

CPA's must not commit, or allow others to commit in their name, any act that reflects adversely on their fitness to represent themselves as a CPA. WAC 4-30-052.

CPA's must not seek to obtain clients by the use of coercion, intimidation, or harassing conduct. WAC 4-30-052.

AICPA rule

ET sections 1.400.001, 2.400.001, and 3.400.001 are the AIPCA's rules on acts discreditable and professional misconduct. For Washington purposes, a violation of the AICPA Code of Conduct is generally considered a violation of Board rules. WAC 4-30-142 and 4-30-048. The AICPA has many interpretations that are examples of professional misconduct. This is not intended to be an all-inclusive list.

Discrimination and harassment in employment

A member would be presumed to have committed an act discreditable to the profession, if a final determination, no longer subject to appeal, is made by a court or an administrative agency of competent jurisdiction that a member has violated any antidiscrimination laws of the United States, a state, or a municipality, including those related to sexual and other forms of harassment. ET sections 1.400.010, 2.400.010, and 3.400.010.

Soliciting CPA exam questions

A member who solicits or knowingly discloses the Uniform CPA Examination question(s) or answer(s), or both, without the AICPA's written authorization shall be considered to

have committed an act discreditable to the profession. ET sections 1.400.020, 2.400.010, and 3.400.010.

Failure to file tax returns

A member who fails to comply with applicable federal, state, or local laws or regulations regarding (a) the timely filing of the member's personal tax returns or tax returns of the member's firm or employer that the member has the authority to timely file or (b) the timely remittance of all payroll and other taxes collected on behalf of others may be considered to have committed an act discreditable to the profession. ET sections 1.400.030, 2.400.030, and 3.400.030.

Negligence in the preparation of financial statements or records

A member shall be considered in violation of "acts discreditable" if the member, by virtue of his or her negligence, does any of the following:

- Makes, or permits or directs another to make, materially false and misleading entries in the financial statements or records of an entity.
- Fails to correct an entity's financial statements that are materially false and misleading when the member has the authority to record an entry.
- Signs, or permits or directs another to sign, a document containing materially false and misleading information. ET sections 1.400.040 and 2.400.040.

Failure to follow regulatory standards

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 similar services for entities subject to their jurisdiction. For example, the SEC; the Federal Communications Commission; state insurance commissions; and other regulatory agencies, such as the PCAOB, have established such requirements. ET sections 1.400.050.01 and 2.400.050.01.

If a member prepares financial statements or related information for purposes of reporting to such management, bodies, commissions, or regulatory agencies, the member should follow the requirements of such organizations, in addition to the applicable financial reporting framework. ET sections 1.400.050.02 and 2.400.050.02.

A member's material departure from such requirements would be considered an "acts discreditable" unless the member discloses in the financial statements or his or her report, as applicable, that such requirements were not followed and the applicable reasons. ET sections 1.400.050.04 and 2.400.050.04.

Failure to follow governmental audit standards

Engagements for audits of government grants, government units, or other recipients of government monies typically require that such audits be in compliance with government audit standards, guides, procedures, statutes, rules, and regulations, in addition to GAAS. ET section 1.400.055.01.

If a member accepts such an engagement and undertakes an obligation to follow specified government audit standards, guides, procedures, statutes, rules, and regulations, the member is obligated to follow such requirements, in addition to GAAS. ET section 1.400.055.02.

Failure to do so is an "act discreditable" unless the member discloses in his or her report that such requirements were not followed and the applicable reasons for not following the requirements. ET section 1.400.055.03.

Indemnification and limitation of liability provisions

Certain governmental bodies, commissions, or other regulatory agencies (collectively, regulators) have established requirements through laws, regulations, or published interpretations that prohibit entities subject to their regulation (regulated entity) from including certain types of indemnification and limitation of liability provisions in agreements for the performance of audit or other attest services that are required by such regulators or provide that the existence of such provisions disqualifies a member from rendering such services to these entities. ET sections 1.400.060.01 and 2.400.060.01.

For example, federal banking regulators, state insurance commissions, and the SEC have established such requirements.

If a member enters into or directs or knowingly permits another individual to enter into a contract for the performance of audit or other attest services that are subject to the requirements of these regulators, the member should not include or knowingly permit or direct another individual to include an indemnification or limitation of liability provision that would cause the regulated entity or a member to be in violation of such requirements or disqualify a member from providing such services to the regulated entity. A member who enters into or directs or knowingly permits another individual to enter into such an agreement for the performance of audit or other attest services would be considered in violation of "acts discreditable." ET sections 1.400.060.02 and 2.400.060.02.

Information obtained from employment or volunteer activities

A member should maintain confidentiality of his or her employer's or firm's (employer) confidential information and should not use or disclose any confidential employer information obtained as a result of an employment relationship (for example, discussions with the employer's vendors, customers, or lenders). This includes, but is not limited to, any confidential information pertaining to a current or

previous employer, subsidiary, affiliate, or parent thereof, as well as any entities for which the member is working in a volunteer capacity. ET sections 1.400.070.01, 2.400.070.01, and 3.400.070.01.

For purposes of this interpretation, confidential employer information is any proprietary information pertaining to the employer or any organization for which the member may work in a volunteer capacity that is not known to be available to the public and is obtained as a result of such relationships. ET sections 1.400.070.02, 2.400.070.02, and 3.400.070.02.

A member should be alert to the possibility of inadvertent disclosure, particularly to a close business associate or a close or immediate family member. The member should also take reasonable steps to ensure that staff under his or her control or others within the employing organization and persons from whom advice and assistance is obtained are aware of the confidential nature of the information. ET sections 1.400.070.03, 2.400.070.03, and 3.400.070.03.

When a member changes employment, a member should not use confidential employer information acquired as a result of the prior employment relationship to his or her personal advantage or the advantage of a third party, such as a current or prospective employer. The requirement to maintain confidentiality of an employer's confidential information continues even after the end of the relationship between a member and the employer. However, the member is entitled to use experience and expertise gained through prior employment relationships. ET sections 1.400.070.04, 2.400.070.04, and 3.400.070.04.

A member would be considered to have committed an act discreditable to the profession if the member discloses or uses any confidential employer information acquired as a result of employment or volunteer relationships without the proper authority or specific consent of the employer or organization for whom the member may work in a volunteer capacity, unless there is a legal or professional responsibility to use or disclose such information. ET sections 1.400.070.05, 2.400.070.05, and 3.400.070.05.

The following are examples of situations in which members are permitted or may be required to disclose confidential employer information or when such disclosure may be appropriate:

- Disclosure is permitted by law and authorized by the employer.
- Disclosure is required by law, for example, to comply with a validly issued and enforceable subpoena or summons or inform the appropriate public authorities of violations of law that have been discovered.
- There is a professional responsibility or right to disclose information, when not prohibited by law, to initiate a complaint with, or respond to any inquiry made by, the Professional Ethics Division or trial board of the AICPA or a duly constituted investigative or disciplinary body of a state CPA society, board of accountancy, or other regulatory body; protect the member's professional interests in legal proceedings; comply with professional standards and other

ethics requirements; or report potential concerns regarding questionable accounting, auditing, or other matters to the employer's confidential complaint hotline or those charged with governance.

- Disclosure is permitted on behalf of the employer to obtain financing with lenders; communicate with vendors, clients, and customers; or communicate with the employer's external accountant, attorneys, regulators, and other business professionals. ET sections 1.400.070.06, 2.400.070.06, and 3.400.070.06.

In deciding whether to disclose confidential employer information, relevant factors to consider include the following:

- Whether all the relevant information is known and substantiated to the extent that it is practicable. When the situation involves unsubstantiated facts, incomplete information, or unsubstantiated conclusions, the member should use professional judgment in determining the type of disclosure to be made, if any.
- Whether the parties to whom the communication may be addressed are appropriate recipients. ET sections 1.400.070.07, 2.400.070.07, and 3.400.070.07.

A member may wish to consult with his or her legal counsel prior to disclosing, or determining whether to disclose, confidential employer information. ET section 1.400.070.08, 2.400.070.08, and 3.400.070.08.

False, misleading, and deceptive acts in marketing

A member would be in violation of "acts discreditable" if the member promotes or markets the member's abilities to provide professional services or makes claims about the member's experience or qualifications in a manner that is false, misleading, or deceptive. ET sections 1.400.090.01, 2.400.090.01, 3.400.090.01.

Promotional efforts would be false, misleading, or deceptive if they contain any claim or representation that would likely cause a reasonable person to be misled or deceived. This includes any representation about CPA licensure or any other professional certification or accreditation that is not in compliance with the requirements of the relevant licensing authority or designating body. ET sections 1.400.090.02, 2.400.090.02, and 3.400.090.02.

Use of the CPA credential

A member should refer to applicable state accountancy laws and board of accountancy rules and regulations for guidance regarding the use of the CPA credential. A member who fails to follow the accountancy laws, rules, and regulations on use of the CPA credential in any of the jurisdictions in which the CPA practices would be considered to have used the CPA credential in a manner that is false, misleading, or deceptive

and in violation of "acts discreditable" ET sections 1.400.100, 2.400.100, and 3.400.100.

Failure to return client records

A failure to return clients records is considered and "act discreditable". ET section 1.400.200. Board rules are more restrictive than the AICPA Code of Professional Conduct and therefore a member should follow applicable Board rules.

Removing client files or proprietary information from a firm

A member whose employment relationship is terminated would be considered in violation of "acts discreditable" if the member takes or retains (a) originals or copies (in any format) from the firm's client files or (b) proprietary information without the firm's permission, unless the member has a contractual arrangement with the firm allowing such action. ET section 1.400.210.01.

A firm's ownership agreement would govern ownership of client files and proprietary information; accordingly, this interpretation would not apply to owners of firms. ET section 1.400.210.02.

Use of confidential information from non-client sources

If a member discloses confidential information obtained from a prospective client or non-client without consent, the member would be in violation of "acts discreditable." ET section 1.400.210.

Washington rules for client records

Definitions

Client provided records are accounting or other records belonging to the client that were provided to the CPA and employees of such persons by or on behalf of the client. WAC 4-30-051(1)(a).

Client records prepared by the CPA are accounting or other records (for example, tax returns, general ledgers, subsidiary journals, and supporting schedules such as detailed employee payroll records and depreciation schedules) that the CPA and employees of such persons was engaged to prepare for the client. WAC 4-30-051(1)(b).

Supporting records are information not reflected in the client's books and records that are otherwise not available to the client with the result that the client's financial information is incomplete. For example, supporting records include adjusting, closing, combining or consolidating journal entries (including computations supporting such entries), that are produced by the CPA and employees of such persons during an engagement. WAC 4-30-051(1)(c).

CPA working papers include, but are not limited to, audit programs, analytical review schedules, statistical sampling results, analyses, and schedules prepared by the client at the request of the CPA and employees of such persons. WAC 4-30-051(1)(d).

Requirements to provide requested records

When a client or former client (client) makes a request for client-provided records, client records prepared by the CPA, or supporting records that are in the custody or control of the CPA that have not previously been provided to the client, the CPA should respond to the client's request as follows:

- Client provided records in the CPA custody or control must be returned to the client. WAC 4-30-051(2)(a).
- Client records prepared by the CPA must be provided to the client, except that client records prepared by the CPA may be withheld if the preparation of such records is not complete. WAC 4-30-051(2)(b).
- Supporting records relating to a completed and issued work product must be provided to the client. WAC 4-30-051(2)(b).

Electronic records

Persons developing and maintaining such records, or schedules should make a reasonable effort to provide the required information and data to the client in a format useable by the client to avoid the cost to the client of duplicate reentry of individual transaction or other information into the client's or successor custodian's recordkeeping system. WAC 4-30-051(2)(d).

The CPA is not required to convert records that are not in electronic format to electronic format. However, if the client requests records in a specific format and the CPA was engaged to prepare the records in that format, the client's request should be honored.

Non-payment by client

CPA's must not refuse to return or provide records, including electronic documents, pending client payment of outstanding fees. WAC 4-30-051(4).

Allowable fees and timing

In connection with any request for records, the CPA may:

- Charge the client a reasonable fee for the time and expense incurred to retrieve and copy such records and require that such fee be paid prior to the time such records are provided to the client;
- Provide the requested records in any format usable by the client;

- Make and retain copies of any records returned or provided to the client. WAC 4-30-051(5).

Where a CPA is required to return or provide records to the client, the CPA should comply with the client's request as soon as practicable but, absent extenuating circumstances, no later than 45 days after the request is made. WAC 4-30-051(8).

Records retention

A CPA is under no obligation to retain records for periods that exceed applicable professional standards, state and federal statutes and regulations, and contractual agreements relating to the service(s) performed. WAC 4-30-051(9).

For a period of seven years after a licensee concludes an audit or review such persons must retain the following records and documents, including electronic records unless hard copies of such exist:

- Records forming the basis of the audit or review.
- Records documenting audit or review procedures applied.
- Records documenting evidence of obtained including financial data, analyses, conclusions, and opinions related to the audit or review engagement.
- Records documenting conclusions reached by the licensee in the audit or review engagement. WAC 4-30-051(10).

Independence

Washington rule

When performing professional services for which a report expressing assurance is prescribed by professional standards, licensees, CPA-Inactive certificate holders, nonlicensee firm owners, and employees of such persons must evaluate and maintain their independence so that opinions, reports, conclusions, and judgments will be impartial and viewed as impartial by parties expected to rely on any report expressing assurance by such persons. WAC 4-30-042.

Such persons are required to comply with all applicable independence rules, regulations, and the AICPA Code of Conduct and to decline engagements for which a report expressing assurance is prescribed by professional standards when such persons have a relationship that could lead a reasonable and foreseeable user to conclude that such persons are not independent. WAC 4-30-042.

Independence is not required when performing a compilation engagement provided the report discloses a lack of independence. WAC 4-30-042.

AICPA rule

ET section 1.200.001 is the AICPA's rule on independence. Washington Board rules specifically adopt the AICPA Code of Conduct standards, and specifically refer to AICPA independence standards. The AICPA, in its interpretations, expansively addresses independence issues.

However, independence determinations in Washington State differ from AICPA guidance. Under Washington Board rules, independence means the absence of relationships that impair a licensee's impartiality and objectivity in rendering attest services. This differs from AICPA and other guidance in that this is not a rules based issue. The CPA must evaluate his or her objectivity and determine whether or not he or she is objective and impartial in addition to the perception of a reasonable and foreseeable user of the attest report.

The Washington Board notes that CPA's in industry share responsibility to ensure the independence of any firm or individuals assigned to the engagement team when their organization engages a firm to render any kind of third-party assurance services. Lack of independence by an engaged firm or individual can place the entity at risk of having a required report be viewed as unacceptable.

Independence defined

The AICPA defines independence as a two-part test:

- Independence of mind is the state of mind that permits a member to perform an attest service without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism. ET section 0.400.21.
- Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third party who has knowledge of all relevant information, including the safeguards applied, to reasonably conclude that the integrity, objectivity, or professional skepticism of a firm or member of the attest engagement team is compromised. ET section 0.400.21.

Evaluating threat to independence

Because it is impossible to enumerate all circumstances in which the appearance of independence might be questioned, the AICPA has a separate conceptual framework for independent that identify examples of threats and safeguards. ET section 1.200.005.

Fees and other types of remuneration

Commissions and referral fees

Licensees and/or their employees must not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission, when such persons perform compilation, or other professional services for which a report expressing assurance is prescribed by professional standards for that client. WAC 4-30-044(1).

This prohibition applies during the period in which such persons are engaged to perform professional services for which a report expressing assurance is prescribed by professional standards; and during the period covered by any information for which a report expressing assurance is prescribed by professional standards and a report was issued by such persons. WAC 4-30-044(1).

Contingent fees

Licensees and/or their employees must not:

- Perform for a contingent fee any professional services for, or receive such a fee from a client for whom such persons perform compilation, or other professional services for which a report expressing assurance is prescribed by professional standards.
- Prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client. WAC 4-30-044(2).

The prohibition against contingent fees applies during the period in which such persons are engaged to perform professional services for which a report expressing assurance is prescribed by professional standards; and during the period covered by any information for which a report expressing assurance is prescribed by professional standards and a report was issued by such persons. WAC 4-30-044(3).

Fees are not considered contingent if fixed by courts or other public authorities, or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies. Fees may vary depending, for example, on the complexity of services rendered. WAC 4-30-044(4).

AICPA rule on commissions and referral fees

ET section 1.520.001.01 is the AICPA's rule on commissions and referral fees and is very similar to Washington's rule. Washington's rule is more restrictive, as the AICPA allows the performance of the service as long as a lack of independence is disclosed during the period in which a compilation is performed. For Washington standards, if a compilation is performed for the period, the service is prohibited.

AICPA rule on contingent fees

ET section 1.510.001.01 is the AICPA's rule on contingent fees and is very similar to Washington's rule. Washington's rule is more restrictive, as the AICPA allows the performance of the service as long as a lack of independence is disclosed during the period in which a compilation is performed. For Washington standards, if a compilation is performed for the period, the service is prohibited.

Disclosures for commissions, referral, or contingent fees

Any person subject to Board rules who is not prohibited from performing services for, or receiving a commission, referral or contingent fee and who are paid or expect to be paid accordingly must disclose that fact to any person or entity to whom such persons recommend or refer a product or service to which the commission, referral, or contingent fee relates. WAC 4-30-044(5).

They must:

- Disclose the arrangement in writing and in advance of client acceptance.
- Disclose the method of calculating the fee or amount of fee.
- Specify the CPA's role as the client's advisor.
- Obtain the client's consent to the fee arrangement in writing.

Nothing in this rule shall be interpreted to preclude licensees, CPA-Inactive certificate holders, or nonlicensee firm owners from purchasing, selling, or merging all or a portion of a licensed firm or affiliated entity or to require disclosure to clients of terms or payments made or received pursuant to the purchase, sale, or merger. WAC 4-30-044(6).

Advertising and other forms of solicitation

Washington rule

CPAs must not make false, fraudulent, misleading, deceptive, or unfair statements or claims regarding their services. Examples of such statements or claims include, but are not limited to:

- Statements or claims which contain a misrepresentation of fact.
- Failure to make full disclosure of relevant facts.
- Imply professional services are of an exceptional quality, which is not supported by verifiable facts.

- Create false expectations of favorable results.
- Imply educational or professional attainments, specialty designations, or licensing recognition not supported in fact.
- Represent that professional services will be performed for a stated fee when this is not the case, or do not disclose variables that may reasonably be expected to affect the fees that will be charged. WAC 4-30-054.

AICPA rule

ET section 1.600.001 is the AICPA's rule on advertising and other forms of solicitation and is very similar to Washington's rule.

Form of organization or name

Washington rule

A firm name that does not consist of the name(s) of one or more present or former owners must be approved in advance by the Board as not being deceptive or misleading. WAC 4-30-056.

Misleading or deceptive firm names are prohibited. The following are examples of misleading firm names. The firm name implies it is a legal entity when it is not such an entity (as by the use of the designations "P.C.," "P.S.," "Inc. P.S.," or "L.L.C."); implies the existence of a partnership when one does not exist; includes the name of a person who is neither a present nor a past owner of the firm; or implies educational or professional attainments, specialty designations, or licensing recognition not supported in fact. WAC 4-30-056.

A licensee may not operate under an alias, a firm name, title, or "DBA" that differs from the firm name that is registered with the Board. A CPA or a CPA-Inactive certificate holder may not use the title in association with a name that is not registered with the Board. WAC 4-30-056.

AICPA rule

ET section 1.800.001 is the AICPA's rule on forms of organization and names and is very similar to Washington's rule.

The initial CPA license

Education requirements

Effective July 1, 2000, to apply for the CPA examination you must have completed: at least 150 semester hours (225 quarter hours) of college education, including a baccalaureate or higher degree; and an accounting concentration as defined as at least: 24 semester hours (36 quarter hours) or the equivalent in accounting subjects of which at least 15 semester hours must be at the upper level or graduate level (an upper level course is defined as a course that frequently carries completion of a lower level course(s) as a prerequisite.

For the purposes of meeting this requirement, individuals will be given 1.5 credits for each 1.0 graduate level credit of accounting courses taken; and 24 semester hours (36-quarter hours) or the equivalent in business administration subjects at the undergraduate or graduate level.

The Board will not recognize accounting concentration credits awarded for "life experience" or similar activities retroactively evaluated and recognized by colleges or universities. This restriction is not intended to apply to internships prospectively approved by colleges or universities. WAC 4-30-060(1).

The CPA exam

The Board uses all parts of the uniform CPA examination and the advisory grading services of the American Institute of Certified Public Accountants. To qualify to apply for a license you must attain a score of seventy-five on all four sections of the examination. You may take the required four sections individually and in any order. Credit for any section(s) taken and passed after December 31, 2003, will be valid for eighteen months from the actual date you took the passed section, without having to attain a minimum score on any failed section(s) and without regard to whether you have taken other sections.

You must pass all four sections of the examination within a rolling eighteen-month period, which begins on the date that the first section(s) is passed. When determining the date that a section is passed, the date that is used is the date that you took the exam section and not the date that your grade(s) is released. You may not retake a failed section(s) in the same examination window. An examination window refers to a three-month period in which candidates have an opportunity to take the examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). In the event you do not pass all four sections of the examination within the rolling eighteen-month period, credit for any section(s) passed prior to the eighteen-month period will expire and you must retake that section(s). WAC 4-30-062(5)(b).

Experience requirements to obtain a CPA license

Qualifying experience may be obtained through the practice of public accounting and/or employment in industry or government. In certain situations, employment in academia may also provide experience to obtain some or all of the competency requirements. Qualifying experience may be obtained through one or more employers, with or without compensation, and may consist of a combination of full-time and part-time employment. WAC 4-30-070(1).

Employment experience should demonstrate that it occurred in a work environment and included tasks sufficient to have provided an opportunity to obtain certain competencies and:

- Covered a minimum twelve-month period (this time period does not need to be consecutive).
- Consisted of a minimum of two thousand hours.
- Provided the opportunity to utilize the skills generally used in business and accounting and auditing including, but not limited to, accounting for transactions, budgeting, data analysis, internal auditing, preparation of reports to taxing authorities, controllership functions, financial analysis, performance auditing and similar skills.
- Be verified by a licensed CPA.
- Be obtained no more than eight years prior to the date the Board receives your complete license application. WAC 4-30-070(2).

The experience should demonstrate that the work environment and tasks performed provided the applicant an opportunity to obtain the following competencies:

- Assess the achievement of an entity's objectives.
- Develop documentation and sufficient data to support analysis and conclusions.
- Understand transaction streams and information systems.
- Assess risk and design appropriate procedures.
- Make decisions, solve problems, and think critically in the context of analysis.
- Communicate scope of work, findings, and conclusions effectively. WAC 4-30-070(3).

Verifying experience

Duties of the applicant

The applicant for a license requesting verification is responsible for:

- Providing information and evidence to support the applicant's assertion that their job experience could have reasonably provided the opportunity to obtain the specific competencies, included on the applicant's Experience Affidavit form presented for the verifying CPA's evaluation.
- Producing that documentation and the completed Experience Affidavit form to a qualified verifying CPA of their choice.
- Determining that the verifying CPA meets the Board's requirements for a verifying CPA.
- Maintaining this documentation for a minimum of three years. WAC 4-30-070(4).

Qualifications of a verifying CPA

A verifying CPA must have held a valid CPA license to practice public accounting in the State of Washington or be qualified for practice privileges for a minimum of five years prior to verifying the candidate's experience, including the date that the applicant's experience is verified. The five years do not need to be consecutive. WAC 4-30-070(5).

Requirements of a verifying CPA

The verifying CPA is expected to:

- Obtain the applicant's completed Experience Affidavit form and supporting documentation to support the jobs the applicant held which provided the experience supporting the applicant's assertion that by performing the specific job functions, she/he was provided the opportunity to obtain each specific competency.
- Verify the applicant's relevant employment history.
- Interview the candidate or otherwise obtain or possess knowledge sufficient to understand the skill sets applied, tasks performed, and time spent in the applicant's represented job functions.
- Assess whether the skill sets applied, tasks performed, and time spent would likely provide an opportunity to obtain each specific competency, excluding knowledge of the Washington state Public Accountancy Act and related Board rules.

- Determine, by interview or course completion certificate, etc., that the applicant is knowledgeable of the Public Accountancy Act and related Board rules applicable to individuals licensed in the state of Washington.
- Document this process and the basis for the conclusions reached by the verifying CPA relative to each specific competency, and maintain this documentation for a minimum of three years. WAC 4-30-072.

Applying for an initial CPA license

To qualify to apply for an initial license you must meet:

- The good character requirements.
- The education requirements.
- The examination requirements.
- Upon passing the CPA examination, applicants for licensure are required to attain and demonstrate a passing grade of 90% or better on the AICPA Professional Code of Conduct examination.
- The experience requirements. WAC 4-30-062(6).

If more than four years have lapsed since you passed the examination, you must meet the CPE requirements within the 36 month period immediately preceding submission of your license application and must include four CPE hours in ethics meeting the requirements of which must be completed within the six-month period immediately preceding submission of your license application. WAC 4-30-080(1).

Good character means lack of a history of dishonest or felonious acts. The Board may refuse to grant a license on the ground of failure to satisfy this requirement only if there is a substantial connection between the lack of good character of the applicant and the professional and ethical responsibilities of a licensee and if the finding by the Board of lack of good character is supported by a preponderance of evidence. RCW 18.04.105(1)(a).

Your initial license will expire on June 30 of the third calendar year following initial licensure. WAC 4-30-080(4).

When use of the CPA title is allowed after initial application

You may not use the title CPA until the date the approval of your license is posted in the Board's licensee database and, therefore, made publicly available for confirmation. WAC 4-30-080(5).

Special rule for first CPE reporting period

A CPE reporting period is a calendar year time period beginning in the calendar year a credential is first issued by the Board and ending on December 31st of the subsequent third calendar year. For example, if your license was issued any time during calendar year one the CPE reporting period ends on December 31st of calendar year three. WAC 4-30-134(1)(c).

CPA's licensed in other states applying for a Washington license

The Board may issue an individual license through interstate reciprocity if you hold a CPA license to practice public accounting issued by another state provided your state of licensure makes similar provisions for granting reciprocity to holders of a valid certificate or license in Washington and other requirements. WAC 4-30-092.

CPA firm licensing requirements

General requirements

A CPA firm license is required if a firm:

- Performs or offers to perform attest services.
- Performs or offers to perform compilation services.
- Assumes or uses the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of certified public accountants or CPAs. RCW 18.04.345.

Allowable forms of organization

A CPA firm may be organized as:

- A proprietorship.
- A partnership.
- A professional corporation or professional service corporation.
- A limited liability company.
- A limited liability partnership.
- Any other form of legal entity authorized by Washington State statute for use by a CPA firm. WAC 4-30-110(1).

Any firm with an office in Washington, whether a sole proprietorship or other legal form, and using or associating the title with their firm name, or offering attest or compilation services, must first obtain a firm license from the Board. And, to the extent a sole proprietor performs a single compilation, it is also subject to mandatory peer review.

Changes to legal forms

A mere change in the legal form of an existing firm constitutes a new firm for licensing purposes. Accordingly, the new entity must first obtain a CPA firm license from the Board and then dissolve the former firm unless the owners desire to maintain more than one licensed firm. WAC 4-30-110(2).

Ownership requirements

All owners of a licensed CPA firm are required to fully comply with the provisions of the Public Accountancy Act and be subject to discipline by the Board for violations of either the Act or Board rules. WAC 4-30-110(3).

A simple majority of the ownership of the licensed firm in terms of financial interests and voting rights of all partners, owners, or shareholders must be:

- Licensees in Washington or holders of a valid license to practice public accountancy issued by another state.
- Entitled to practice public accounting in Washington State.
- Principally employed by the firm or actively engaged in its business. WAC 4-30-110(3).

Each CPA proprietor, partner, shareholder, or member who is either a resident or is entering the state and practicing public accountancy in Washington must hold a valid Washington State license or practice privileges. WAC 4-30-110(3).

The principal owner and any individual having authority over issuing reports on financial statements must be a licensee under the Act or holder of a valid license to practice public accountancy issued by another state and must be entitled to practice public accounting in Washington. WAC 4-30-110(3).

A nonresident CPA owner must be licensed to practice public accountancy in at least one state. WAC 4-30-110(3).

Provided all persons (organizations and individual owners) are licensed in the same profession, Washington permits professional corporations, (e.g. LLC, PLLC, Professional Service Corporation) to be owned by licensed individuals who themselves organize as professional organizations. Frequently, individuals licensed as CPAs neglect to obtain a firm license for their individually owned professional organization member of the larger professional organization.

For example, a group of individually licensed CPAs (A, B, & C) decide to form a Professional Service Corporation (Parent PSC) under the laws of the State of Washington. Prior to filing the charter with the Secretary of State, each individual also forms a separate PSC (PSC X, PSC Y, and PSC Z) owned 100% by the individually licensed CPA. Correctly, the managing licensee of the makes application for and receives a firm license for Parent PSC. However, the individually licensed CPAs fail to obtain firm licenses for their separately owned organizations (PSC X, PSC Y, and PSC Z). Accordingly, the structure is non-compliant with state law and Board rules.

A nonlicensee owner must:

- Be an individual.
- Meet the good character requirements.
- Comply with the Act and Board rules.
- Be an active individual participant in the licensed firm or affiliated entities.
- A resident nonlicensee firm owner must register with the Board concurrent with submission of the firm license application, or submission of an amendment to the firm license status, to the Board. WAC 4-30-110(3).

Renewal

Renewal of an individual license

To renew your individual license you must by April 30 of the year of expiration make application through the Board's on-line application system or on a form provided by the Board upon request. WAC 4-30-094.

An individual license expires on June 30 of the third calendar year following the calendar year of renewal. WAC 4-30-094.

Late renewal application

Failure to file a complete application for renewal of an individual license by April 30 of the year of expiration will result in late fees. The Board may waive, reduce, or extend the due date of renewal and/or late fees based on individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment. WAC 4-30-094.

Failure to file a renewal application

If you fail to file a complete application for renewal of an individual license by June 30 of the year of renewal, your individual license will lapse. WAC 4-30-094.

Failure to complete CPE

If you did not complete the credit hours of continuing professional education (CPE) required to renew your credential or did not submit a timely extension request and/or was not granted an extension of time for reasonable cause within which to complete the deficiency, your individual license will lapse on June 30 of the year of renewal. WAC 4-30-094.

Lapsed credentials

A lapsed credential is subject to reinstatement.

If your individual license has lapsed, you may not use the restricted title(s) or exercise other privileges that are dependent upon the renewal of your credential. WAC 4-30-094.

Continuing competency for firms

Quality assurance review (QAR) for licensed firms

The Board is charged with protection of the public interest and ensuring the dependability of information used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private or governmental. The purpose of the QAR program is to monitor licensees' compliance with audit, compilation, review, and other attestation standards. WAC 4-30-130(1).

If the Board becomes aware that a firm's performance and/or reporting practices for audit, review, compilation, and other engagements covered by statements on standards for attestation engagements may not be in accordance with applicable professional standards, the Board will take appropriate action to protect the public interest. WAC 4-30-130(1).

Mandatory peer review

Before January 1, 2013, once every three years the Board required a licensed firm with an office in Washington to participate in the Board's quality assurance review program.

However, because larger firms used peer review rather than the QAR process, most of the firms in the Board's review process were smaller firms that primarily prepared compilations. However, to the extent these firms performed other services subject to QAR, one of each of these reports was also submitted to the Board as part of the review process.

This led to a high rate of unacceptable reviews, historically about 30%. As a result, effective January 1, 2011, any firm issuing audit reports on financial statements, performance audit reports, or examination reports on internal controls for nonpublic

enterprises was required participate in a Board approved peer review program. And, effective January 1, 2013, all firms offering attest or other selected services must participate in a Board approved peer review program. WAC 4-30-130(2).

Enrollment in peer review

A firm licensed in Washington State must enroll in a Board-approved peer review program before issuing a report for each of the following types of service or any other service the Board determines:

- Compilation on historical financial statements;
- Review on historical financial statements;
- Audit report on financial statements, performance audit reports, or examination reports on internal controls for nonpublic enterprises;
- Other professional services subject to Statements on Standards for Attestation Engagements. WAC 4-30-130(3).

Peer review exemptions

Certain firms may request exemption:

- Out-of-state firms that do not have a physical location in Washington, but perform attest or compilation services in Washington, and are otherwise qualified for practice privileges are not required to participate in the Board's program if the out-of-state firm participates in a Board-approved peer review program or similar program approved or sponsored by another state's Board of Accountancy.
- Firms that do not perform attest services, compilation services, or other professional services for which a report expressing assurance is prescribed by professional standards are not required to participate in a peer review program, and must request exemption on each firm license renewal application.
- Firms that prepare financial statements which do not require reports under Statements on Standards for Accounting and Review Services (management use only compilation reports) and that perform no other attest or compilation services, are not required to participate in a peer review program; however, any such engagements performed by a firm that is otherwise required to participate in a peer review program must be included in the selection of engagements subject to peer review. WAC 4-30-130(11).

Board approved peer reviews

The Board has approved the following peer reviews:

- The inspection processes of the Public Company Accounting Oversight Board (PCAOB).
- Peer review programs administered by the American Institute of CPAs (AICPA).
- Peer review programs administered by the Washington Society of CPAs (WSCPAs). WAC 4-30-130(2).

Potential Board actions for substandard reports

The Board will take appropriate action to protect the public's interest if the Board determines through the peer review process or otherwise that a firm's performance and/or reporting practices are not or may not be in accordance with applicable professional standards, the firm does not comply with peer review program requirements, or the firm does not comply with all or some of the reporting, remedial action, and/or fee payment requirements. The board's actions may include, but are not limited to:

- Require the firm to develop quality control procedures to provide reasonable assurance that similar occurrences will not occur in the future;
- Require any individual licensee who had responsibility for, or who substantially participated in the engagement(s), to successfully complete specific courses or types of continuing education as specified by the Board;
- Require that the reviewed firm responsible for engagement(s) submit all or specified categories of its compilation or attest working papers and reports to a preissuance evaluation performed by a Board-approved licensee in a manner and for a duration prescribed by the Board. Prior to the firm issuing the reports on the engagements reviewed, the Board-approved licensee must submit to the board for Board acceptance a report of the findings, including the nature and frequency of recommended actions to the firm. The cost of the Board-approved preissuance evaluation will be at the firm's expense;
- Require the reviewed firm to engage a Board-approved licensee to conduct a Board-prescribed on-site field review of the firm's work product and practices or perform other investigative procedures to assess the degree or pervasiveness of substandard or noncompliant work product. The Board-approved licensee engaged by the firm must submit a report of the findings to the Board within thirty days of the completion of the services. The cost of the Board-prescribed on-site review or other Board-prescribed procedures will be at the firm's expense; or
- Initiate an investigation. WAC 4-30-130(13).

Absent an investigation, the specific rating of a single peer review report is not a sufficient basis to warrant disciplinary action. WAC 4-30-130(13).

The Board may solicit and review licensee reports and/or other information covered by the reports from clients, public agencies, banks, and other users of such information. WAC 4-30-130(14).

Continuing competency for individuals

Continuing professional education (CPE) requirements

Qualifying continuing professional education (CPE) must:

- Contribute to the professional competency in the individual's area(s) of professional practice or relative to the individual's current work place job functions;
- Maintain knowledge of current ethical and other regulatory requirements; and
- Be completed by individuals during any Board specified CPE reporting period. A CPE reporting period is a calendar year time period beginning in the calendar year a credential is first issued by this board and ending on December 31st of the subsequent third calendar year; for example, if your license was issued any time during calendar year one (2013), the CPE reporting period ends on December 31st of calendar year three (2015) WAC 4-30-134(1).

Requirements for CPA's

During the three calendar year period prior to renewal, an individual licensed in Washington must complete 120 CPE credit hours which is limited to 24 CPE credit hours in nontechnical subject areas and must include four CPE credit hours in ethics. WAC 4-30-134(2).

Required rules for ethics CPE

Ethics is a required class for each Washington CPA and Washington CPA-Inactive. During each three-year reporting period after initial licensing the Washington State Board of Accountancy requires all individuals to complete four continuing professional education hours in ethics.

The content of the course must be specific to the laws and rules applicable to the regulatory framework in Washington including the administrative requirements for an individual's initial and continued use of restricted titles in this state.

All CPE authors must submit course materials for the ethics course to the Board for approval prior to delivery of the content for credit.

The ethics and regulations course materials must cover all of the following topics, and instructors of approved courses must substantially address these topics in their presentations:

- General level information on the AICPA Code of Conduct.
- General level information on the Public Accountancy Act, the Board's rules, policies, including recent or pending changes therein, and the rule-making process.
- Emphasis must be placed on key differences between Washington law, the Board's rules, and the AICPA Code of Conduct.

The course must also include detailed information on the following:

- How can I contact the Board?
- Do I need to notify the Board if I change my address?
- Must I respond to inquiries from the Board?
- Ethics and prohibited practices, including related Board policies, if any.
- Continuing competency, including related Board policies, if any.
- What are the bases for the Board to impose discipline?
- Other topics or information as defined by Board policy.

The course must also include case study scenarios demonstrating how to comply with the relevant provisions of the AICPA Code of Conduct and the Board's statutory or regulatory framework when faced with ethical situations that might occur when offering or performing a specific type of professional service in the practice of public accounting or as a professionally regulated person not in the practice of public accounting.

At least 60% of the course material content, presentation time, and commentary must include general level information on the Public Accountancy Act, the Board's rules and policies, including recent or pending changes thereto, variances of key differences between Washington law, the Board's rules, and the AICPA Code of Conduct, and scenarios demonstrating the different compliance outcomes that might result because the Board's rules prevail when the Board's rules vary from the AICPA Code of Professional Conduct and/or related official AICPA interpretations. WAC 4-30-134(6)

Extensions of time to obtain CPE

In order to renew your license, you must complete the required CPE by December 31 of the calendar preceding the calendar year of your renewal unless you can demonstrate your failure to meet the CPE requirements was due to reasonable cause.

The Board may provide limited extensions to the CPE requirements for reasons of individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment.

You must request such an extension in writing no later than December 31 of the calendar year preceding the calendar year of your renewal. The request must include justification for the request and identify the specific CPE you plan to obtain to correct your CPE deficiency. WAC 4-30-134(7).

Self-reported deficiencies

If you fail to file a timely request for extension but you self-report a CPE deficiency to the Board during the renewal period January 1 through June 30 of the renewal year, you will be permitted to continue to use the restricted title during the renewal period provided you:

- Submit to the Board, in writing, the specific CPE plan to obtain to correct the CPE deficiency on or before June 30 of the renewal year.
- Timely complete the CPE sufficient to correct the deficiency.
- Timely submit certificates of completion for the subject CPE taken to the Board.
- Pay the fee for reinstatement of a lapsed credential on or before June 30 of the renewal year.

CPE deficiencies taken by June 30 of the renewal year under this provision will be carried back to the reporting period ending on December 31 of the preceding calendar year and be subject to CPE audit in the next renewal period to ensure that inadvertent double counting does not occur. WAC 4-30-134(8).

Program standards for CPE

A program qualifies as acceptable CPE for purposes if it is a formal program of learning which contributes to the CPA's professional knowledge and competence.

A formal program means:

- The program is at least 50 minutes in length.
- Attendance is recorded.
- Participants sign in to confirm attendance and, if the program is greater than four credit hours, participants sign out during the last hour of the program.
- Attendees are provided a certificate of completion. WAC 4-30-132(1).

Qualifying subjects

Examples of qualifying technical subjects include:

- Auditing standards or procedures.
- Compilation and review of financial statements.
- Financial statement preparation and disclosures.
- Attestation standards and procedures.
- Projection and forecast standards or procedures.
- Accounting and auditing.
- Management advisory services.
- Personal financial planning.
- Taxation.
- Management information services.
- Budgeting and cost analysis.
- Asset management.
- Professional ethics (other than those programs used to satisfy the requirements of WAC 4-30-134(6)).
- Specialized areas of industry.
- Human resource management.
- Economics.
- Business law.
- Mathematics, statistics, and quantitative applications in business.
- Business management and organization.
- General computer skills, computer software training, information technology planning and management.
- Negotiation or dispute resolution courses. WAC 4-30-132(5).

Nontechnical subjects include:

- Communication skills.
- Interpersonal management skills.
- Leadership and personal development skills.
- Client and public relations.
- Practice development.
- Motivational and behavioral courses.
- Speed-reading and memory building. WAC 4-30-132(5) (b).

Other subjects may be acceptable provided the CPA can demonstrate they contribute to his or her professional competence. The CPA is solely responsible for demonstrating that a particular program contributes to their professional competency. WAC 4-30-132(5).

Group programs

Group programs may qualify as long as it meets the general CPE standards. Examples include:

- Professional education and development programs of national, state, and local accounting organizations.
- Technical sessions at meetings of national, state, and local accounting organizations and their chapters.
- Formal in-firm education programs.
- Programs of other organizations (accounting, industrial, professional, etc.).
- Dinner, luncheon, and breakfast meetings which are structured as formal educational programs.
- Firm meetings for staff and/or management groups structured as formal education programs. Portions of such meetings devoted to communication and application of general professional policy or procedure may qualify, but portions devoted to firm administrative, financial and operating matters generally will not qualify. WAC 4-30-132(6).

CPE credit is allowable only for those programs taken after the issuance of the CPA license. Credit is not allowed for programs taken to prepare an applicant for the ethics examination as a requirement for initial licensure.

CPE credit is given in half-hour increments only after the first full CPE credit hour has been earned. A minimum of 50 minutes constitutes one CPE credit hour and, after the first 50-minute segment has been earned, 25 minutes constitutes one-half CPE credit hour. Attendees obtain CPE credit only for time spent in instruction; no credit is allowed for preparation time unless the attendee is the discussion leader for that particular program. WAC 4-30-132(7).

Self-study programs

Credit for self-study programs is allowed in the renewal period in which you completed the program as established by the evidence of completion provided by the program sponsor. The amount of credit allowed for interactive self-study is that which is recommended by the program sponsor based on the average completion time under appropriate "field tests."

In order to claim CPE credit for interactive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor.

The amount of credit allowed for noninteractive self-study is one-half the average completion time as determined by the program sponsor based on appropriate "field tests." To claim CPE credit for noninteractive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor. WAC 4-30-132(8).

Carry forward and carry back of credits

CPE credit hours you complete during one period cannot be carried forward to the next period. WAC 4-30-132(11).

CPE credit hours you complete during one period can be carried back to the previous reporting period only after the Board has approved your request to carry back CPE credit hours. WAC 4-30-132(12).

Examinations and review courses

CPE credit may not be claimed for CPA examination review courses. WAC 4-30-132(13).

You may not claim CPE credit for preparing for or taking a credential examination unless you complete a formal review course and receive a certificate of completion meeting the requirements of WAC 4-30-138. CPE credit may not be claimed for CPA examination review courses. WAC 4-30-132(13).

Reporting CPE to the Board

The reporting of compliance with CPE requirements is concurrent with the filing of a renewal application. A renewal form is required to be signed certifying you have complied with the Board's CPE requirements and supporting documentation. WAC 4-30-136.

The Board audits, on a test basis, compliance with CPE and supporting documentation requirements as certified during the renewal application process. WAC 4-30-136.

Required documentation for CPE credits

For each program for which CPE credit is claimed, the filer must retain documentation to support all of the following required information:

- Program sponsor.
- Title of program or description of content.
- Date(s) attended.
- Number of CPE credit hour(s).
- Attendee name.
- Acceptable evidence of completion. WAC 4-30-138(1).

Acceptable evidence of completion

Acceptable evidence includes:

- For group programs, a certificate, or other acceptable verification as defined by Board policy, that is supplied by the program sponsor.
- For self-study programs, a certificate supplied by the program sponsor after satisfactory completion of a workbook or examination.
- For a university or college course, a record of the grade received.
- For instruction credit, evidence obtained from the program sponsor of having been the instructor or discussion leader at the program.
- For published articles or books, evidence of publication. WAC 4-30-138(2).

The filer is responsible for documenting entitlement to the CPE credit claimed on the renewal form. WAC 4-30-138(3).

Records retention

Supporting documentation for CPE credit claimed must be retained for three years after the end of the CPE reporting period in which the credit was claimed. WAC 4-30-138(4).

Administration

Contacting the Board

The Board's administrative office, executive director, and staff are located in Olympia, Washington.

- The physical address is 711 South Capitol Way, Suite 400, Olympia, WA 98501.
- The mailing address is P.O. Box 9131, Olympia, Washington 98507-9131.
- (360) 753-2586 (telephone).
- (360)-664-9190 (fax).
- (800) 833-6388 (TT service).
- (800) 833-6385 (Telebraille services).
- customerservice@cpaboard.wa.gov (e-mail address).
- www.cpaboard.wa.gov (website address).

Notifying the Board of a change of address

All individuals licensed in Washington, CPA-Inactive certificate holders, CPA firms licensed in Washington, individuals registered with the Board as resident nonlicensee firm owners, and applicants must notify the Board **in writing** within 30 days of any change of address. WAC 4-30-032.

Firms licensed in Washington must notify the Board of any opening, closing, or relocation of the main office or a branch office in Washington. WAC 4-30-032.

Responding to inquiries from the Board

All licensees, including out-of-state individuals qualifying for practice privileges and out-of-state firms permitted to offer or render certain professional services in Washington, CPA-Inactive certificate holders, nonlicensee firm owners, and applicants must respond, **in writing**, to Board communications requesting a response. WAC 4-30-034.

Your response must be made **within 20 days** of the date the Board's communication is posted in the U.S. mail. Communications from the Board to you are directed to the last address you furnished the Board. WAC 4-30-034.

Reportable enforcement actions by other bodies

A CPA must notify the Board within 30 days of the issuance of a sanction, order, suspension, revocation, or modification of a license, certificate, permit or practice

rights by the SEC, PCAOB, IRS, or another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy. WAC 4-30-036(1)(a).

A CPA must notify the Board within 30 days of charges filed by the SEC, IRS, PCAOB, another state board of accountancy, or a federal or state taxing, insurance or securities regulatory body that the CPA committed a prohibited act that would be a violation of Board ethical or technical standards. WAC 4-30-036(1)(b).

Holders of licenses or CPA-Inactive certificates issued through the foreign reciprocity provisions of the Public Accountancy Act must notify the Board of any investigations undertaken, or sanctions imposed, by a foreign credentialing body against the foreign credential within 30 days of your receiving notice that an investigation has begun or a sanction was imposed. WAC 4-30-036(4).

Individual licensees and sole proprietors are to report action taken against the individual's license and/or the license of the sole proprietorship. Licensed CPA firms with more than one licensed owner are not required to report on action taken against owners, principals, partners, or employees. WAC 4-30-036(2)& (3).

Bases for the Board to impose discipline

The Board is authorized to revoke, suspend, refuse to issue, renew, or reinstate an individual or firm license, CPA-Inactive certificate, the right to exercise practice privileges in Washington, or registration as a resident nonlicensee firm owner; impose a fine not to exceed \$30,000 dollars; recover investigative and legal costs; impose full restitution to injured parties; impose remedial sanctions; impose conditions precedent to renew; or prohibit a resident nonlicensee from holding an ownership interest in a firm licensed in Washington for specific acts.

Examples

- Fraud or deceit in applying for the CPA examination, obtaining a license, registering as a resident nonlicensee firm owner, or in any filings with the Board. WAC 4-30-142(1).
- Fraud or deceit in renewing or requesting reinstatement of a license, CPA-Inactive certificate, registration as a resident nonlicensee firm owner. WAC 4-30-142(2).
- Cheating on the CPA exam. WAC 4-30-142(3).
- Making a false or misleading statement in support of another person's application or request to take the national uniform CPA examination; obtain a license or registration required by the Act or Board; reinstate or modify the terms of a revoked or suspended license, certificate, or registration as a resident nonlicensee firm owner in Washington; or reinstate revoked or

suspended practice privileges of an individual or firm licensed in another state. WAC 4-30-142(4).

Dishonesty, fraud, or negligence

- Practicing public accounting in Washington State prior to obtaining a license. WAC 4-30-142(5).
- Offering or rendering public accounting services in Washington by an out-of-state individual or firm not qualified for practice privileges. WAC 4-30-142(5).
- Making misleading, deceptive, or untrue representations. WAC 4-30-142(5).
- Engaging in acts of fiscal dishonesty. WAC 4-30-142(5).
- Purposefully, knowingly, or negligently failing to file a report or record, or filing a false report or record, required by local, state, or federal law. WAC 4-30-142(5).
- Unlawfully selling unregistered securities. WAC 4-30-142(5).
- Unlawfully acting as an unregistered securities salesperson or broker-dealer. WAC 4-30-142(5).
- Discharging a trustee's duties in a negligent manner or breaching one's fiduciary duties. WAC 4-30-142(5).
- Withdrawing or liquidating, as fees earned, funds received by a licensee, CPA-Inactive certificate holder, or a resident nonlicensee firm owner from a client as a deposit or retainer when the client contests the amount of fees earned, until such time as the dispute is resolved. WAC 4-30-142(5).

Prima facie acts of dishonesty, fraud, or negligence

- An order of a court of competent jurisdiction finding that the person or persons committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on the person's fitness to represent himself, herself, or itself as a licensee, as defined in WAC 4-30-010, CPA-Inactive certificate holder, or a nonlicensee firm owner. WAC 4-30-142(6).
- An order of a federal, state, local or foreign jurisdiction regulatory body, or a PCAOB, finding that the licensee, CPA-Inactive certificate holder, or nonlicensee firm owner, or employee of such persons committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on the person's fitness to represent himself, herself, or itself as a licensee, a CPA-Inactive certificate holder, or a nonlicensee firm owner. WAC 4-30-142(6).
- Cancellation, revocation, suspension, or refusal to renew the right to practice as a licensee, certificate holder, or a nonlicensee firm owner by any other

state for any cause other than failure to pay a fee or to meet the requirements of continuing education in the other state. WAC 4-30-142(6).

- Suspension or revocation of the right to practice before any state agency, federal agency, or the PCAOB. WAC 4-30-142(6).

Sanctions and crimes

- Sanctions and orders entered by a nongovernmental professionally related standard-setting body for violation of ethical or technical standards in the practice of public accounting by a licensee, CPA-Inactive certificate holder, or nonlicensee firm owner. WAC 4-30-142(7).
- Any state or federal criminal conviction or commission of any act constituting a crime under the laws of this state, or of another state, or of the United States. WAC 4-30-142(8).

Conflicts of interest

- Self-dealing as a trustee, including, but not limited to investing trust funds in entities controlled by or related to the trustee; borrowing from trust funds, with or without disclosure; and employing persons related to the trustee or entities in which the trust has a beneficial interest to provide services to the trust (unless specifically authorized by the trust creation document). WAC 4-30-142(9).
- Borrowing funds from a client unless the client is in the business of making loans of the type obtained by the licensee, CPA-Inactive certificate holder, or nonlicensee firm owner and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness. WAC 4-30-142(9).

Practice privilege violations

- An out-of-state individual exercising the practice privileges when not qualified. WAC 4-30-142(10).
- Submission of an application for firm license on behalf of a firm licensed in another state and required to obtain a license by an out-of-state individual not qualified or authorized by the firm to make such application. WAC 4-30-142(10).
- Failure of an out-of-state individual exercising the practice privileges to cease offering or performing professional services in Washington, individually or on behalf of a firm, when the license from the state of the out-of-state individual's principal place of business is no longer valid. WAC 4-30-142(10).

- Failure of an out-of-state individual exercising the practice privileges to cease offering or performing specific professional services in Washington, individually or on behalf of a firm, when the license from the state of the out-of-state individual's principal place of business has been restricted from performing those specific services. WAC 4-30-142(10).
- Failure of a firm not licensed in Washington to cease offering or performing professional services in Washington through one or more out-of-state individuals whose license from the state of those individuals' principal place(s) of business is (are) no longer valid or is (are) otherwise restricted from performing the specific engagement services. WAC 4-30-142(10).
- Failure of a licensed firm to comply with the ownership requirements within a reasonable time period, as determined by the Board. WAC 4-30-142(10).
- Failure of a firm licensed in Washington or another state to comply with the Board's quality assurance program requirements, when applicable. WAC 4-30-142(10).

Other bases for the Board to impose discipline

- Violation of one or more of the rules of professional conduct in the WAC. WAC 4-30-142(11).
- Concealing another's violation of the Public Accountancy Act or Board rules. WAC 4-30-142(12).
- Failure to cooperate with the Board by failing to: furnish any papers or documents requested or ordered to produce by the Board; furnish in writing a full and complete explanation related to a complaint as requested by the Board; respond to an inquiry of the Board; or respond to subpoenas issued by the Board, whether or not the recipient of the subpoena is the accused in the proceeding. WAC 4-30-142(13).
- Failure to comply with an order of the Board. WAC 4-30-142(14).
- Adjudication of a licensee, CPA-Inactive certificate holder, or a nonlicensee firm owner as mentally incompetent is prima facie evidence that the person lacks the professional competence required by the rules of professional conduct. WAC 4-30-142(15).
- Failure of a licensee, CPA-Inactive certificate holder, nonlicensee firm owner, or out-of-state person exercising practice privileges to timely notify the Board, in the manner prescribed by the Board, of any of the following: a sanction, order, suspension, revocation, or modification of a license, certificate, permit or practice rights by the SEC, PCAOB, IRS, or another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy;

charges filed by the SEC, IRS, PCAOB, another state board of accountancy, or a federal or state taxing, insurance or securities regulatory body that the licensee, CPA-Inactive certificate holder, or nonlicensee firm owner committed a prohibited act that would be a violation of Board ethical or technical standards; or sanctions or orders entered against such persons by a nongovernmental professionally related standard-setting body for violation of ethical or technical standards in the practice of public accounting by a licensee, CPA-Inactive certificate holder, or nonlicensee firm owner. WAC 4-30-142(16).

Washington State Board of Accountancy enforcement

Board disciplinary actions

Of 15,000 CPA's and 1,000 CPA-Inactives in Washington, few in any given year are the subject of complaints filed with the Washington State Board of Accountancy.

The Board investigates approximately 90 to 150 complaints a year. Most complaints originate from Board programs such as audits of reported CPE and their Quality Assurance Review program for licensed firms, and well as complaints filed by consumers, other CPA's, and referrals from government agencies or other regulators. Complaints result from allegations of technical errors, or ethical or legal violations.

By Board delegation, the Executive Director directs the complaint processes, investigative activities, and case resolution negotiations. When a complaint is filed, the Executive Director makes a preliminary assessment and determines:

- The situation or condition is not within the Board's authority, the Executive Director may dismiss the matter, but a record of the event will be documented and maintained in the Board office in accordance with the agency's approved retention schedule.
- The situation or condition requires further evaluation, the Executive Director assigns the case to a staff or contract investigator. WAC 4-30-140.

Board investigations

Investigations are conducted by the Board's Enforcement Division. Investigations requiring specialized knowledge will be assigned to a technical consultant under contract with the Board.

Upon completion of the investigation, if the Executive Director determines that:

- Sufficient evidence does not exist to merit Board action, the Executive Director may dismiss the case, but a record of the event will be documented and maintained in the Board office in accordance with the agency's approved record retention schedule.

- Sufficient evidence exists to merit Board action and it is the first time an individual or firm is notified of a violation of the Public Accountancy Act or Board rule, the Executive Director may impose administrative sanctions approved by the Board for a first-time offense.
- Sufficient evidence exists to merit Board consideration but the situation or condition, if proven, is not eligible for administrative sanctions, the Executive Director will discuss a resolution strategy and settlement parameters with a Consulting Board member. Once the Executive Director and Consulting Board member agree on those matters, the Executive Director and assigned staff or contract investigator will initiate a discussion for resolution with the respondent. WAC 4-30-140.

Administrative sanctions for first-time offenses

In cases of certain first time administrative sanctions, the Board will assess fines, fees, costs, and other penalties, but the Board will not publish the individual's or firm's name.

- First noncommercial use of a restricted title on business cards, resumes or other applications for employment in Washington state after establishing residency in this state but prior to obtaining credentialed status in Washington State, provided the individual did not use the title while a resident in conjunction with offering or rendering professional services.
- First-time use of a restricted title by an individual within the 18-month period following successful completion of the Uniform CPA Examination but who has not yet been credentialed by the Board.
- First-time use of a restricted title with a lapsed individual license or CPA-Inactive status, provided the individual did not use the CPA or CPA-Inactive title for more than 90 days after the date of transmittal by Board staff of a Notice of Noncompliance.
- First time representation on a reinstatement application that the CPA title had not been used when in fact the title had been used.
- First time failure to obtain a firm license by a Washington resident firm owned by one individual for more than 90 days after the date of transmittal by Board staff of a notice of noncompliance.
- First-time failure to timely change either or both individual and/or firm addresses.
- First-time failure by a firm to timely notify the Board of changes in the firm name, ownership, or managing licensee of the firm's main office after the date of transmittal by Board staff of a Notice of noncompliance.

- First-time CPE deficiency by a licensee, CPA-Inactive certificate holder, or nonCPA firm owner not exceeding 16 hours.
- First-time misunderstanding of courses qualifying for the CPE in regulatory ethics specific to Washington State.
- First-time failure to meet CPE documentation requirements determined by CPE audit provided the documentation deficiency results from a cause or circumstance beyond the control of the credentialed person.
- First-time use of titles likely to be confused with CPA, Certified Public Accountant, or CPA-Inactive by person never credentialed by this Board or not qualified for practice privileges.
- First-time failure to timely deliver records requested by a client as required, unless the lack of "timely delivery" results in financial harm to the client by a state or federal regulatory agency or governmental unit.
- First-time failure to timely respond to a request for administrative information or documents directly related to information and/or documents specified in Board rules.
- First-time Quality Review Program violation, e.g. lack of cooperation with reviewers, failure to comply with peer review program requirements, and/or non-payment of fee for a completed peer review service. Board Policy 2004-1.

Sanctions and fines

If the respondent is amenable to the suggested resolution and terminology of a negotiated proposal, the Executive Director will forward the proposal in the form of a "Stipulation and Agreed Upon Order" to the respondent for written acceptance. If accepted by the respondent, the proposal will be forwarded to the board for approval. WAC 4-30-140.

Upon receiving and considering the formal settlement proposal, the respondent may offer a counterproposal. The Executive Director and assigned staff or contract investigator will discuss the counterproposal with a Consulting Board member. The Executive Director and Consulting Board member may agree to the counterproposal, offer a counter to the counterproposal, or reject the counterproposal. WAC 4-30-140.

Hearings before the Board

If the Executive Director and Consulting Board member reject the counterproposal or are unable to negotiate what they consider to be an acceptable alternative proposal with the respondent, the Executive Director will execute a statement of charges and refer the case to the assigned prosecuting assistant attorney general with the request that an administrative hearing be scheduled and the case prosecuted. WAC 4-30-140.

Hearings before the Board are subject to the state's Administrative Procedures Act. Testimony is sworn, there is discovery, the rules of evidence apply, the Board is presented by the Attorney General's office, and the CPA may only be represented by himself or herself or an attorney.

The Board will review the merits of the case and issue a written order containing the Board's findings and, if deemed appropriate, sanctions. The CPA, CPA-Inactive certificate holder, or CPA firm has 30 days to appeal the Board's order to the Superior Court.

Settlement in lieu of a hearing

At the same time that the assigned prosecuting assistant attorney general is preparing the case for prosecution, the assigned prosecuting assistant attorney general, working with the Executive Director and Consulting Board member, will continue to seek a negotiated settlement (consent agreement) in lieu of a Board hearing. If the case goes to hearing before the Board, the assigned prosecuting assistant attorney general, with the concurrence of the Executive Director and Consulting Board member, will present the team's recommended sanction to the Board. WAC 4-30-140.

No proposed negotiated settlement is forwarded to the Board unless the respondent, the Executive Director, Consulting Board member and, when appropriate, the assigned prosecuting assistant attorney general concur that the proposal is an acceptable resolution to the matter. WAC 4-30-140.

If the participants in the negotiation concur with the negotiated resolution and terminology of the agreement, a proposed consent agreement is to be signed by the respondent, and signed by the assigned prosecuting assistant attorney general if the settlement was negotiated by the assigned prosecuting assistant attorney general, and forwarded to the Board members, along with the Executive Director's, Consulting Board member's and, when appropriate, assigned prosecuting assistant attorney general's recommendation to accept the proposal for consideration. WAC 4-30-140.

The Board is not bound by this recommendation. WAC 4-30-140.

All proposed consent agreements must be approved by a majority vote of the Board. Five "no" votes mean the proposed settlement has been rejected by the Board. In such circumstances, the case will return to the Executive Director, Consulting Board member, and assigned prosecuting assistant attorney general who will determine whether the situation merits additional attempts to negotiate a settlement or to immediately schedule the matter for an administrative hearing before the Board. WAC 4-30-140.

Brief adjudicative proceedings

For certain appeals, the Board has adopted a process called a brief adjudicative proceeding. WAC 4-30-028.

The types of appeals are:

- Staff denials of initial individual license applications, renewals, or applications for reinstatement.
- Staff denials of CPA-Inactive certificate renewals or applications for reinstatement.
- Staff denials of practice privilege reinstatements.
- Staff denials of initial resident nonlicensee firm owner registration applications, renewals, or applications or requests for reinstatement.
- Staff denials of initial firm license applications, renewals, and amendments.
- Staff denials of exam applications.
- A proposed suspension as a result of a determination by a lending agency of nonpayment or default on a federally or state-guaranteed student loan or service conditional scholarship.

To appeal a decision, a request for a brief adjudicative proceeding must be submitted, **in writing**, to the Board **within 30 days** after the decision by Board staff is posted in the U.S. Mail.

The Board Chair or the Board Vice-Chair, if the Board Chair is unavailable, will appoint one member of the Board as the presiding officer for brief adjudicative proceedings. The presiding officer renders a decision either upholding or overturning the denial. This decision, called an order, will be provided to the last address furnished to the Board.

If dissatisfied with the order in the brief adjudicative proceeding, an appeal may be made to the Board's Vice-Chair, or designee. This appeal process is called an administrative review. The appeal must be received by the Board, **orally or in writing**, **within 21 days** after the brief adjudicative proceedings order is posted in the U.S. Mail. The Vice-Chair, or designee, considers the appeal and either upholds or overturns the brief adjudicative proceeding order. The Vice-Chair's, or designee's, decision, also called an order, will be provided at the last address furnished to the Board.

Publication of Board orders and sanctions

Specific cases and CPA's subject to Board orders and sanctions are published on the Board's website at www.cpaboard.wa.gov.

The Board will post notice of Board orders for suspension, stayed suspension, revocation, and practice restriction on the Board's web site for approximately three years following the year of the Board order.

In addition, for license and certificate suspension (including stayed suspension) and revocation:

- Notice will be posted in the Daily Journal of Commerce.
- Notice will be provided to the AICPA and WSCPA.
- Notice will be posted to NASBA's Enforcement Information Exchange (EIX).
- Representative(s)/Senator(s) for the respondent's location(s) will be notified.
- Other jurisdictions that have licensed the individual will be notified.
- The complainant(s) will be notified.
- Notice will be sent to the newspaper(s) in the respondent's location.

Further Washington State resources

Web based

The Public Accountancy Act, Washington State Board of Accountancy, rules, policies, forms, and other information is available on the Board's website at www.cpaboard.wa.gov.

Electronic news from the Board of Accountancy

The Washington State Board of Accountancy maintains a free subscription service to electronic news about its activities. Registration is free and is available on the Board's website at www.cpaboard.wa.gov.

Public database of licensed individuals and firms

The Board of Accountancy provides a free database of licensed individuals and firms, as well as a list of lapsed licenses on its website.

Public database of sanctions and Board orders

The Board publishes sanctions and other Board orders on its website under "Investigations."

Review questions and answers

Review questions

1. Which entity is the entity that has the authority to regulate CPA's in Washington State:
 - A. The AICPA.
 - B. The Washington Society of CPA's.
 - C. The Board of Accountancy.
 - D. All of the above.

2. If a Board rule is more restrictive than an AICPA rule or interpretation, the Board rule is the one that must be followed.
 - A. True.
 - B. False.

3. The Board considers many standard setters as creating rules-based systems for ethical behavior. However, the Board considers ethics the personal decision and the personal responsibility of the CPA, not the standard setting body.
 - A. True.
 - B. False.

4. A CPA must follow applicable Board rules and AICPA rules and interpretations in the following relationships.
 - A. Employment in public accounting.
 - B. Employment in industry.
 - C. As a volunteer on a nonprofit board.
 - D. All of the above.

5. In advocacy for a client or an employer, a CPA is allowed to subordinate their professional judgment to the client's or employer's in the following circumstances:
 - A. Before federal, state, or local tax authorities.
 - B. As part of a court proceeding.

- C. As part of negotiating the purchase or sale of a business.
 - D. None of the above.
6. Providing services to both the buyer and the seller in the purchase of a business is considered a conflict of interest.
- A. True.
 - B. False.
7. Providing services to divorcing clients during the settlement process is not considered a conflict of interest.
- A. True.
 - B. False.
8. In Washington, borrowing money from a client who is not in the business of loaning money is an issue of:
- A. Independence.
 - B. Objectivity and integrity.
 - C. Competence.
 - D. None of the above.
9. In providing any professional service, it is the responsibility of the CPA to identify the applicable professional standard and follow that standard.
- A. True.
 - B. False.
10. Which of the following is not an element of professional competence.
- A. Avoiding misrepresenting facts.
 - B. Using due professional care.
 - C. Adequately planning and supervising an engagement.
 - D. Obtaining sufficient data.
11. Confidentiality is required of CPA's in Washington and a CPA must not without the written consent of the client disclose any confidential communication or information of the client.
- A. True.

- B. False.
12. Both the Board's rule and the AICPA's interpretation allow a CPA to withhold requested client records in exchange for outstanding fees.
- A. True.
- B. False.
13. Acts discreditable and professional misconduct include but is not limited to:
- A. Failing to return client records.
- B. Making false and misleading entries.
- C. Failing to file any tax return required by federal, state, or local law.
- D. All of the above.
14. Independence for purposes of rendering audit, review, compilation, or other attest services is defined the same with no differences by both the Board and in the AICPA rule and its interpretations.
- A. True.
- B. False.
15. It is the duty of an applicant to make sure that the CPA who verifies their experience qualifies as a verifying CPA.
- A. True.
- B. False.
16. New licensees are allowed to use the title CPA after:
- A. Successfully passing the CPA exam.
- B. After obtaining qualifying experience.
- C. Submitting a completed licensee application to the Board.
- D. When their name appears as a licensee in the database on the Board's website.
17. If a CPA license is first issued by the Board on September 30 of year one, the initial three year CPE reporting period ends:
- A. September 30 of year four.

- B. December 31 of year three.
 - C. September 30 of year three.
18. A sole practitioner who is licensed as an individual CPA and who issues a single compilation is required to have a separate firm license and obtain a peer review before that compilation is issued.
- A. True.
 - B. False.
19. During every three year CPE reporting period, a CPA must obtain:
- A. Four hours in an AICPA approved ethics course.
 - B. Four hours in a Board approved ethics courses.
 - C. Either A or B.
20. An individual renews their license by:
- A. December 31 of the renewal year.
 - B. April 30 of the renewal year.
 - C. June 30 of the renewal year.
 - D. July 1 of the renewal year.
21. If a CPA license is lapsed, the individual no longer has use of the title CPA and must remove it from their business cards, resume, website, social media, stationary, and other similar representations.
- A. True.
 - B. False.
22. For license renewal, a CPA is required to have 120 hours in CPE in with a minimum of 20 hours obtained each year.
- A. True.
 - B. False.
23. The amount of credit allowed for interactive self-CPE is:
- A. The amount recommended by the program sponsor.
 - B. One-half the average completion time.

- C. None of the above.
24. Which are not part of the requirements of a formal program of CPE.
- A. Attendance is recorded.
 - B. The program is at least 60 minutes in length.
 - C. Participants sign in and if the program is greater than four hours, also sign out.
 - D. Attendees are given a certificate of completion.
25. For any CPE taken in a reporting period, you must retain copies of proof of attendance for three years after the reporting period and submit it to the Board:
- A. Annually.
 - B. During routine license renewal.
 - C. When randomly selected for CPE audit.
 - D. All of the above.
26. In order to request an extension of time to obtain CPE after the end of a reporting period, a request for an extension must be filed with the Board:
- A. Before the end of the reporting period.
 - B. After the end of the reporting period but before the due date of the renewal.
 - C. At any time.
 - D. All of the above.
27. CPE credits in excess of the Board prescribed minimums in a reporting period may be carried forward into the next reporting period.
- A. True.
 - B. False.
28. CPE credits may be carried back into a prior reporting period only upon prior approval of the Board.
- A. True.
 - B. False.

29. All licensed individuals have a duty to notify the Board in writing of a change of address:
- A. Within 20 days.
 - B. Within 30 days.
 - C. Upon renewal.
 - D. None of the above.
30. All licensed individuals have a duty to respond to any inquiries from the Board:
- A. By phone within 30 days.
 - B. In writing within 30 days.
 - C. In writing within 20 days.
 - D. Via email within 10 days.

Answers to review questions

1. C.
2. A.
3. A.
4. D.
5. D.
6. A.
7. B.
8. B.
9. A.
10. A.
11. A.
12. B.
13. D.
14. B.
15. A.
16. D.
17. B.
18. A.
19. B.
20. B.
21. A.
22. B.
23. A.
24. B.

25. C.

26. A.

27. B.

28. A.

29. B.

30. C.



Washington State Board of Accountancy

Policy Number: 2000-1

Title: Continuing Professional Education*

Revised: July 22, 2013

Approved: 
Emily R. Rollins, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

Purpose:

To provide clarification and direction on the Board's continuing professional education (CPE) rules.

I. Guidance Regarding the Appropriate Classification of a CPE Course

Continuing professional education (CPE) is intended to impart to licensees that knowledge necessary to stay current with the knowledge base required to meet contemporary public expectations and comply with professional and regulatory requirements when rendering public accounting services or performing in the employ of an employer.

CPE credits are generally allowable for courses with content related to the primary focus of the licensee's public practice or specific job requirements if in the employ of an employer including but not limited to accounting for transaction, preparation of financial statements, budgeting, data analysis, internal or external auditing, preparation of reports to taxing authorities, controllership functions, financial analysis, performance auditing, specific types of consulting, or forensic investigations.

Generally the Board does not pre-approve programs as meeting the Board's CPE requirements. However, upon receipt of a CPE course description and outline, the Executive Director may provide informal, oral guidance regarding the appropriate classification of a course.

II. Acceptable Evidence Supporting Eligibility for CPE Credit

The Board will accept original CPE documents or copies of documents submitted by mail fax, e-mail or other electronic means. The Board, in its discretion, may require the submission of the original of any of these documents.

If documents and/or forms are submitted to the Board or Board staff by mail, fax, e-mail or other electronic means, the sender is responsible for ensuring that the Board or Board staff receives the transmittal.

The Board may request additional documentation such as program outlines, or statements from the participant or sponsor to determine the validity of the CPE claimed.

III. CPE Credit for Self Study Learning Activities

The Board recognizes the Statement on Standards for Continuing Professional Education (CPE) Programs (Standards) approved and published jointly by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA).

CPE credit for self study learning activities offered by sponsors other than the AICPA or recognized by the NASBA National Registry of CPA Sponsors or Quality Assurance Service (QAS) Self Study sponsors must be based on one of the following methods identified in the Standards:

- Pilot test of the representative completion time
- Computation using the prescribed word count formula

The standards containing a full description of the above methods may be found at <http://www.aicpa.org/Advocacy/State/DownloadableDocuments/AICPA-NASBA-Final-CPE-Standards.pdf>.

Effective: January 1, 2000

*Revised: April 25, 2011; July 18, 2008; October 27, 2006; January 31, 2005;
October 31, 2003; January 31, 2003; January 25, 2002; April 27, 2001;
April 28, 2000



Washington State Board of Accountancy

Policy Number: 2002-1

Title: Substantially Equivalent Jurisdictions

Revised: April 17, 2014*

Approved: 
Emily R. Rollins, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

Purpose:

To provide guidance to:

- Individuals applying for a Washington State CPA license under the interstate reciprocity provision of WAC 4-30-092 and
- CPAs licensed in other jurisdictions exercising practice privileges under RCW 18.04.350(2) and WAC 4-30-090.

I. Exercise of Practice Privileges under RCW 18.04.350(2)(a)

Individuals who hold a valid license issued by one of the states or jurisdictions deemed "substantially equivalent" by the National Association of State Boards of Accountancy (NASBA) are deemed to have met the requirements of RCW 18.04.350(2)(a).

II. Exercise of Practice Privileges under RCW 18.04.350(2)(b)

The qualification of individuals licensed in other than a substantially equivalent state may be determined by the Board to meet the substantially equivalent requirement. For purposes of exercising practice privileges, the Board will exempt individuals from the 150 semester hour education requirement of RCW 18.04.350(2)(a) provided the individual holds a valid license issued by any other state deemed "substantially equivalent" by NASBA.

III. Substantially Equivalent States

The Board recognizes the states and jurisdictions identified as "Substantially Equivalent States" by the National Association of State Boards of Accountancy (NASBA) for purposes of issuing a Washington State CPA license under the

interstate reciprocity provisions of WAC 4-30-092 and exercise of practice privileges under RCW 18.04.350(2)(a).

The Board does not recognize the states and jurisdictions identified by NASBA as "Non-Substantially Equivalent States" for purposes of issuing a Washington State CPA license under the interstate reciprocity provisions.

Listings of the substantially and non-substantially equivalent states and jurisdictions can be found at <http://www.nasba.org/licensure/substantialequivalency/>.

IV. Individuals Applying for a CPA License under the Interstate Reciprocity Provisions of WAC 4-30-092

Individuals deemed by the National Association of State Boards of Accountancy (NASBA) as being substantially equivalent to the education, examination, and experience requirements of the Uniform Accountancy Act are deemed to have met the requirements of WAC 4-30-092(2).

An individual holding a valid license from a substantially equivalent state or jurisdiction is also deemed to have met this requirement.

Effective: January 25, 2002

*Revised: October 23, 2012; April 26, 2012; April 25, 2011; January 28, 2010; October 17, 2008; October 25, 2002;



Washington State Board of Accountancy

Policy Number: 2002-2
Title: Expert Witness Services
Revised: April 25, 2011*

Approved: 
Donald F. Aubrey, CPA, Chair

*This policy rescinds and supersedes any previous Board or Committee policy.

Purpose:

To provide guidance to CPAs regarding the licensing or notification requirements for performing expert witness engagements in the state of Washington.

I. Requirements for CPAs Licensed by the Washington Board of Accountancy

Expert witness services may be performed by a licensed CPA using the title "CPA" in organizations other than CPA firms.

II. Requirements for Washington State CPA-Inactive Certificate holders

CPA-Inactive certificate holders may use the title CPA-Inactive when performing or offering to perform expert witness services *unless the service is related to the following or similar activities, skills, or services:*

- Accounting
- Auditing including the issuance of "audit reports," "review reports," or "compilation reports" on financial statements,
- Management advisory,
- Consulting services,
- Preparing of tax returns, or
- Furnishing advice on tax matters.

CPA-Inactive certificate holders who testify on another matter (not related to the services, skills, or activities identified above) may use the title "CPA-Inactive" as mandated by RCW 18.04.105 provided they advise the court

that they hold a Washington state CPA-Inactive certificate and they do not hold a Washington state CPA license to practice public accountancy.

Nothing in this policy is intended to preclude an individual from testifying as a witness to relevant evidence in other than an expert witness capacity.

Effective: January 25, 2002

*Revised: October 17, 2008; April 27, 2007; December 31, 2004



Washington State Board of Accountancy

Policy Number: 2002-4

Title: International Reciprocity*

Revised: April 26, 2012*

Approved: 
Donald F. Aubrey, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

Purpose:

To facilitate international reciprocity for professional accountants by recognizing accounting credentials issued by the accounting professions of other countries; specifying reciprocal arrangements for individuals holding a professional accounting designation of other countries seeking a Washington State license; adopting a qualifying examination and passing score; and setting experience standards.

Statutory authority: RCW 18.04.183

- I. **Recognized credentials** - The National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA) have jointly established the United States International Qualifications Appraisal Board (IQAB) to eliminate impediments to reciprocity. IQAB serves as the link between the accounting profession in the United States and the accounting profession in GATS (General Agreement on Trade in Services) signatory countries and seeks mutual recognition of accounting qualifications.

The Board recognizes the international accounting credentials issued by the professional bodies that have established current mutual recognition agreements (MRA) with IQAB for purposes of issuing a Washington State CPA license under the international reciprocity provision of RCW 18.04.183. The professional bodies holding mutual recognition agreements may be found at <http://www.nasba.org/international/mra>.

- II. **International Qualifications Examination (IQEX)**

The Board requires that individuals applying for a CPA license based on international reciprocity complete a qualifying examination. The Board:

- A. Adopts the International Qualifications Examination (IQEX) prepared and graded by the AICPA as the appropriate examination to test the knowledge of subject

matter unique to the United States, as determined by the AICPA in cooperation with NASBA, of those applicants holding an accounting credential issued by professional credential institutes that have established current mutual recognition agreements (MRA) with IQAB. The Board will continue to recognize passing grades from the predecessor Canadian Chartered Accountant Uniform CPA Qualification Examination (CAQEX).

- B. Accepts International Qualifications Examination (IQEX) grades from examinations administered by other state boards of accountancy or by the National Association of State Boards of Accountancy.
- C. Sets the passing score for the IQEX (and its CAQEX predecessor) at 75.

Effective: October 25, 2002

*Revised: April 25, 2011; October 22, 2009; October 17, 2008; July 30, 2004



Washington State Board of Accountancy

Policy Number: 2003-1

Title: Safe Harbor Report Language for Use by Non-CPAs*

Revised: October 17, 2013*

Effective: January 31, 2003

Approved: 
Emily R. Rollins, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

Purpose:

RCW 18.04.350 (10) states that persons or firms composed of persons not holding a license under RCW 18.04.215 (i.e., non-CPAs) may offer or render certain services to the public, including the preparation of financial statements and written statements describing how such financial statements were prepared, provided they do not:

- Designate any written statement as an “audit report,” “review report,” or “compilation report,”
- Issue any written statement which purports to express or disclaim an opinion on financial statements which have been audited, and
- Issue any written statement which expresses assurance on financial statements which have been reviewed.

In April of 1989, the Board approved two alternatives as “safe harbor” report language for use by non-CPAs. Non-CPAs may use the language in the following paragraphs without challenge by the Board as a violation of RCW 18.04.345. The words “audited,” “reviewed,” “compiled,” or “compilation” may not be inserted or substituted for the language found in the letters.

CPA-Inactive certificate holders may not use the ‘CPA-Inactive’ title when performing or offering accounting, tax, tax consulting, management advisory, or similar services to the public. As such, CPA-Inactive certificate holders are prohibited from using the safe harbor report language concurrent with the CPA-Inactive title.

Safe harbor report language Sample #1:

The accompanying balance sheet of ABC Company, as of December 31, 1988 and related statement of income for the year then ended have been prepared by me (us).

These statements have been prepared from information furnished by management (owner), and accordingly, I do not express any assurance on them.

Safe harbor report language Sample #2:

The accompanying balance sheet of ABC Company, as of December 31, 1988 and related statement of income for the year then ended have been prepared by me (us).

My engagement was limited to presenting in the form of financial statements information that is the representation of management (owner), and accordingly, I do not express any assurance on them.



Washington State Board of Accountancy

Policy Number: 2004-1

Title: Sanction and Penalty Guidelines

Revised: October 24, 2014

Approved: 
Emily R. Rollins, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

The Board believes that consent agreements are more efficient and effective than administrative hearings. The key benefits of negotiated settlements are:

- The respondent participates in the development of the corrective action plan and sanction which enhances compliance and more timely public protection
- Cases resolved through the negotiated settlement process reduce costs for the benefit of both the general public and the respondent

The Board recognizes that administrative hearings:

- Delay the corrective action and thereby delay public protection
- Are not the most effective mechanism to generate a positive resolution to Board cases
- Are costly in terms of staff and other resources
- Require significant use of the Board's limited attorney general resources

Policy:

The Board embraces the respondent's involvement in determining the settlement proposal. This provides the respondent the opportunity to participate in development of the corrective action plan and ultimately encourages future compliance and public protection. To support the negotiation and settlement process, the Board provides the following guidance to the Executive Director and Consulting Board Member in crafting a suggested settlement proposal for presentation to the respondent and for negotiating a settlement. This guidance is solely for the use of the Consulting Board Member and the Executive Director. It is not applicable to the prosecuting Assistant Attorney General.

The objective of this process is to administer the enforcement process in a fair and equitable manner and, when appropriate, seek settlement in lieu of a formal Board hearing.

- I. **The Board provides the following suggested considerations for the Executive Director and Consulting Board Member when developing a suggested settlement; however, the Board does not intend that other factors, as deemed appropriate by the Executive Director and Consulting Board Member, to be excluded:**
- A. What are the enforcement goals of the particular case?
 - B. What are the permissible sanctions that the Board could impose?
 - C. What are the aggravating or mitigating factors relevant to the allegations?
 - D. What is the individual's past disciplinary or criminal history (if any) ?
 - E. Are there identifiable trends, if any, in the individual's behavior?
 - F. What is the likelihood of the individual repeating the behavior?
 - G. What is the potential for future public harm?
 - H. What is the individual's potential for rehabilitation?
 - I. What is the extent of damages or injury?
 - J. What is the extent of public harm?
 - K. What is the extent of harm to the profession and the public's trust in the profession?
 - L. How can the public best be served and protected while implementing corrective action?
 - M. What steps are necessary to ensure the integrity of financial information?
 - N. What were the Board's sanctions with similar misconduct (if any exist) and has there been a trend in the Board's actions and/or changes in state law impacting the history of the Board's sanctions?
 - O. Has the individual been sanctioned by other enforcement agencies or through civil findings:
 - Fine
 - Cost recovery
 - Disgorgement
 - Practice or license restriction
 - Publication
 - Jail
 - P. What was the magnitude of the sanctions by other enforcement agencies/civil findings?
 - Q. What impact did these other sanctions have on:
 - The individual's behavior
 - The individual's taking responsibility for her/his actions
 - The individual's ability to earn a livelihood
 - The public's awareness of the individual's misconduct
 - R. Would a suspended license seriously impact the individual's livelihood and, if so, does the misconduct merit such an impact?
 - S. Did the individual lose their job/employment/livelihood due to the misconduct?
 - T. What is the individual's personal financial position?
 - U. Did the individual recently go through bankruptcy?

- V. What is the individual's ability to pay cost recovery?
- W. What is the individual's ability to pay a fine?
- X. Has the individual already taken self-imposed corrective action (such as CPE, field review) ?
- Y. What is the length of time that has elapsed since the misconduct, the sanction, or the civil action?
- Z. What is the public's exposure to the individual?
- AA. Is the misconduct singular or repeated?
- BB. Is the misconduct a clear violation or does it involve a statute, rule or standard which is subject to different interpretations?
- CC. Was the misconduct intentional or unintentional?
- DD. Did the misconduct involve dealing with unsophisticated or vulnerable parties?
- EE. Did the CPA/individual profit or benefit from the misconduct?
- FF. Did the CPA/individual make an effort to limit the harm or solve problems arising out of the misconduct?
- GG. Did the misconduct take place after warnings from the agency?
- HH. What was the Board's sanctioning authority at the time the misconduct occurred?

II. The Board suggests the following considerations when considering a counterproposal negotiating a settlement:

- A. All of the items in Section I above.
- B. What is the value to have the individual participate in the development of the corrective action?
- C. How many outstanding Board cases have been referred to the prosecuting Assistant Attorney General and remain to be resolved?
- D. What is the effect of a delay in resolution of this particular case and/or the effect of a delay in prosecution of other cases?
- E. What is the severity of the particular case under negotiation as compared to the number of, and severity of, the cases with the prosecuting Assistant Attorney General?
- F. What are the key objectives and goals of the enforcement action and what sanctions are absolutely necessary to ensure those goals are achieved?
- G. Is there value to the public, the agency, and Attorney General's Office that can be obtained by having the agreement settled without going to an administrative hearing?
- H. Consider the sanctioning guidelines in Section V.

III. Legal and Investigative Costs

RCW 18.04 authorizes the Board to recover legal and investigative costs. The Board considers the following to be reasonable legal and investigative costs:

- A. Investigative staff salaries and benefits (based on actual salary and benefit rates) for state staff conducting the investigation, including reporting, review, and follow-up costs

- B. Investigator travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- C. Contract investigator, specialist, and expert witness expenses including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- D. Salaries and benefits (based on actual salary and benefit rates) for state staff preparing and reviewing the Board's order and associated communications with the respondent
- E. Prosecuting Assistant Attorney General charges associated with the case including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- F. Expenses for an administrative law judge including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
- G. Administrative hearing costs including, but not limited to:
 - Attorney General charges (both for the Board's legal counsel and the prosecuting Assistant Attorney General) associated with the case including travel expenses and per diem based on the state travel regulations as established by the Office of Financial Management
 - Salaries and benefits (based on actual salary and benefit rates) for state staff preparing and reviewing the Board's order and associated communications with the respondent
 - Salaries and benefits (based on actual salary and benefit rates) for state staff called as a witness by either party to the administrative hearing
 - Witness expenses including travel and per diem expenses based on the state travel regulations as established by the Office of Financial Management
 - Court reporter charges
 - Administrative hearing room costs and set-up charges

IV. Publication of Board Orders

1. A general public notice will be posted on the Board's public web site that information on Board orders and other sanctioning agreements is available under the Public Disclosure Act by contacting the Board's office.
2. The Board will post notice of Board orders for suspension, stayed suspension, revocation, and practice restriction on the Board's web site for approximately three years following the year of the Board order. In addition, for license and certificate suspension (including stayed suspension) and revocation:
 - Notice will be published in the Daily Journal of Commerce.
 - Notice will be provided to the AICPA and WSCPA.
 - Notice will be posted to NASBA's Enforcement Information Exchange (EIX)

- Representative(s)/Senator(s) for the respondent's location(s) will be notified.
- Other jurisdictions that have licensed the individual will be notified.
- The complainant(s) will be notified.
- Notice will be sent to the newspaper(s) in the respondent's location.

3. In cases of non-compliance not resulting in administrative sanction, suspension, stayed suspension, revocation, or a Board ordered practice restriction, the Executive Director, with a majority vote of the Board, may direct that a notation be made referencing each of the Board's sanctioning actions on the Board's web site licensee search database for up to three years following the year the sanction was imposed.
4. In cases of administrative sanction, the Board will not publish the individual's or firm's name; however, the Board will:
 - Post statistics related to these sanctions on the Board's web site.
 - Comply with the Public Records Act.

V. The Board acknowledges the following general sanctioning guidelines for the Executive Director and the Consulting Board Member's consideration as part of their process to develop a suggested settlement. The Board does not intend these guidelines to be a prescription or binding; nor does the Board wish to exclude or limit other sanctions or considerations that the Executive Director and Consulting Board Member consider appropriate.

General Categories of Misconduct	Examples of Sanctionable Acts:
<p>ADMINISTRATIVE NON COMPLIANCE</p> <p>Use of title or holding out in public practice with a lapsed license/certificate</p> <p>Use of the CPA title by a CPA-Inactive certificateholder</p>	<ul style="list-style-type: none"> • License/certificate lapsed because the individual failed to file a license/certificate renewal. • License/certificate lapsed because the individual failed to notify the Board of a change of address, failed to receive their renewal application, and failed to file a license/certificate renewal. • The individual disregarded the lapsed license and continued to knowingly hold out with a lapsed license. • The individual discovered that their license/certificate lapsed and signed the reinstatement application stating that they did not use the title when the evidence demonstrates that they used the title. • CPA-Inactive who is a corporate CFO uses the CPA title in filing corporate documents with the SEC. • CPA-Inactive uses the CPA title to obtain a job in private industry. • CPA-Inactive who is also an attorney uses the CPA title when offering legal services to the public.

General Categories of Misconduct	Examples of Sanctionable Acts:
<p>CONSUMER/EMPLOYER HARM</p> <p>Embezzlement, fraud, dishonesty, or negligence</p> <p>Fiduciary malfeasance or breach of fiduciary duties</p> <p>Noncompliance with code of conduct including conflict of interest and confidentiality</p> <p>Failure to comply with a Board order</p> <p>Failure to respond to Board inquiry</p> <p>IRS/SEC sanction/denial of practice privilege</p>	<ul style="list-style-type: none"> • Theft from employer. • Felony obstruction of justice. • Theft of trust funds where the CPA was the trustee. • Manipulated a client's trust for the benefit of the CPA's child. • Manipulated a mentally impaired client for self-enrichment. • Failed to file personal tax returns and pay personal FIT. • Failed to transmit FICA and FIT withheld from employee's salary. • Failed to pay employer's portion of FICA. • Provided services to both the seller and the buyer during a business transaction without consent. • Provided services to both parties during a divorce without consent. • Failed to make restitution to injured parties as required by Board order. • Repeated non compliance with stipulated Board Orders. • Suspended from practice before the IRS due to substandard tax work. • SEC practice restriction and/or sanction due to fraudulent SEC filing. • SEC practice restriction and/or sanction due to substandard accounting practices.
<p>CONSUMER/EMPLOYER HARM</p> <p>Noncompliance with technical standards</p>	<ul style="list-style-type: none"> • CPA is referred to the Board by the SEC due to an audit failure as a result of the CPA performing substandard audit procedures. • CPA is referred to the Board by federal agencies due to failure to comply with <i>Yellow Book</i> standards. • Substandard tax work resulted in penalty to a tax client.

<p>CONSUMER/EMPLOYER HARM</p> <p>Failure to provide client records upon reasonable notice and request</p>	<ul style="list-style-type: none"> • Refused to return client records until the client paid the CPA's fees • Did not return multiple clients' records due to procrastination. • Did not return client records because the client terminated the relationship and obtained a new CPA.
<p>ADMINISTRATIVE NON COMPLIANCE</p> <p>Acts and omissions in filing an application for reinstatement or renewal of a license, certificate, or registration</p> <p>Failure to comply with a Board approved CPE waiver request</p>	<ul style="list-style-type: none"> • Represented on the CPE audit form that CPE courses were obtained when evidence discloses that no or only a portion of the required CPE courses were taken. • Signed the reinstatement or renewal form under the penalty of perjury that the CPE requirements were met and the individual obtained only a portion of the required hours. • Signed the reinstatement or renewal form under the penalty of perjury that the CPE ethics requirements were met and the individual did not take the required ethics CPE.
<p>CONSUMER/EMPLOYER HARM</p> <p>Failed good character determination for initial licensure</p> <p>Cheating on CPA Exam</p>	<ul style="list-style-type: none"> • The good character review was at the request of the applicant who was found guilty of a felony 3 years ago. • The good character review as a result of the applicant's disclosure that 7 years prior they failed to file an income tax return and pay their tax obligation. • The good character review was the result of the prosecutor alerting the Board to the applicant's being charged with a felony. • Cheating observed by the exam proctor.
<p>CONSUMER/EMPLOYER HARM</p> <p>Use of title or holding out in public practice by a nonCPA</p>	<ul style="list-style-type: none"> • Used title after passing the exam but without a license. • Used title to intentionally defraud investors.

Guidelines for 1st Time Administrative Violations

These guidelines will be used when (a) it is the first time an individual or firm has been notified of an alleged specific type of violation of the Public Accountancy Act or Board rule, (b) the alleged violation occurred during any period the individual or firm is or was subject to Board jurisdiction, and (c) sufficient evidence is obtained by investigation to merit Board action.

Administrative Violation:	Board Approved Sanction:
----------------------------------	---------------------------------

1.	First noncommercial use of a restricted title on <i>Business Cards, Resumes</i> or other <i>Applications for Employment</i> in Washington state after establishing residency in this state but prior to obtaining credentialed status in Washington State, <i>Provided:</i> the individual did not use the title while a resident in conjunction with offering or rendering professional services.	Administrative Notice to Cease and Desist
2.	First-time use of a restricted title by an individual within the 18-month period following successful completion of the Uniform CPA Examination but who has not yet been credentialed by the Board	\$500 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in Washington State regulation applicable to the practice of public accounting <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
3.	First-time use of a restricted title with a lapsed individual license or CPA-Inactive status. <i>Provided:</i> The individual did not use the CPA or CPA-Inactive title for more than 90 days after the date of transmittal by Board staff of a Notice of Noncompliance.	\$750 fine+ late fee + cost recovery <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
4.	First time representation on a reinstatement application that the CPA title had not been used when in fact the title had been used.	\$750 fine + late fee + cost recovery <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
5.	First time failure to obtain a firm license by a Washington resident firm owned by one individual for more than 90 days after <i>the date of transmittal</i> by Board staff of a <i>notice of noncompliance.</i>	\$750 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in Washington State <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction..</i>
6.	First-time failure to timely change either or both individual and/or firm addresses.	\$0-\$200 fine + cost recovery (unless <i>the failure to timely change the address results in a more severe first-time administrative violation and sanction</i>) <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>

7.	First-time failure by a firm to timely notify the Board of changes in the firm name, ownership, or managing licensee of the firm's main office after <i>the date of transmittal</i> by Board staff of a <i>Notice of noncompliance</i> ..	\$500 fine + cost recovery <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
8.	First-time CPE deficiency by a licensee, CPA-Inactive certificateholder, or nonCPA firm owner <i>not exceeding 16 hours</i> .	<p><u>Licensee:</u> Exclusive of the required 4 hour course addressing ethics and regulation in Washington State a sliding scale:</p> <p>\$250 fine for a deficiency up to and including 8 hours;</p> <p>\$500 fine for deficiency up to and including 16 hours;</p> <p>Additional (separate) \$500 fine if the deficiency includes or is limited to failure to complete the required 4-hour course addressing ethics and regulation in Washington State.</p> <p><u>CPA-Inactive Certificateholder or NonCPA firm owner:</u></p> <p>\$500 fine + cost recovery for failure to complete the required 4-hour course addressing ethics and regulation in Washington State</p> <p><i>All amounts assessed are to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i></p>
9.	First-time misunderstanding of courses qualifying for the CPE in regulatory ethics specific to Washington State.	\$100 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>

10.	First-time failure to meet CPE documentation requirements <u>determined by CPE audit</u> provided the documentation deficiency results from a cause or circumstance beyond the control of the credentialed person.	\$0-\$250 fine + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement</i> consenting to an Administrative Sanction.
11.	First-time use of titles likely to be confused with CPA, Certified Public Accountant, or CPA-Inactive by person never credentialed by this Board or not qualified for practice privileges pursuant to RCW 18.04.350(2).	\$1,500 fine + cost recovery + <i>to be received by the Board's office within 90 days of signing an agreement</i> consenting to an Administrative Sanction.
12.	First-time failure to timely deliver records requested by a client as required by WAC 4-30-051, UNLESS the lack of "timely delivery" results in financial harm to the client by a state or federal regulatory agency or governmental unit.	\$1,500 fine + cost recovery + restitution for proven client costs incurred to reconstruct essential records incurred as a result of the lack of availability of such records + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement</i> consenting to an Administrative Sanction..
13.	First-time failure to timely respond to a request for administrative information or documents directly related to information and/or documents specified in Board rules (Title 4 WAC).	\$1,500 fine + cost recovery + submission of proof of completion of Board approved course in Ethics and Regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement</i> consenting to an Administrative Sanction.
14.	First-time Quality Review Program violation, e.g. lack of cooperation with reviewers, failure to comply with peer review program requirements, and/or non-payment of fee for a completed peer review service.	\$500 + cost recovery + (if applicable) restitution to reviewer (firm)+ other appropriate corrective remedies.

If an individual or firm's conduct includes multiple first-time administration violations, the Executive Director is to impose the more severe first-time administrative sanction.

In cases of Administrative Sanction, the Board will not publish the individual's or firm's name; however, the Board will:

- Post statistics related to these sanctions on the Board's web site

- Comply with the Public Records Act

Effective: October 29, 2004

*Revised: April 23, 2013; April 26, 2012; April 25, 2011; October 17, 2008; April 28, 2006;
January 28, 2005



Washington State Board of Accountancy

Policy Number: 2004-2

Title: Exam Applicant Disability Documentation and Testing Modification Guidelines

Revised: April 17, 2014*
(Formerly Agency Administrative Policy #17)

Approved: 
Emily R. Rollins, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

PURPOSE:

Applicants with disabilities (physical or mental impairment) that substantially limit one or more major life activities may need testing modifications for the computer-based Uniform CPA Examination. This policy is established to describe the necessary components of acceptable evidence of a disability. Qualified individuals with disabilities are required to request accommodations every time they apply to take a section of the examination, and the request must be made at the time of application. This requirement allows the Board to determine if the qualified individual is "disabled" under the Americans with Disabilities Act of 1990 and to arrange reasonable and appropriate testing modifications prior to the administration of the examination. It is in candidate's best interests to provide recent and appropriate documentation clearly defining the extent and impact of the impairment(s) upon current levels of academic and physical functioning.

PROCEDURES:

- A. Request for accommodations and appropriate, complete, supporting documentation, must be submitted with each application. Determinations of reasonable accommodations for testing modifications will be made on a case-by-case basis and will pertain to all sections applied for in a single application.
- B. Testing must be performed by a licensed and/or qualified (expert) specialist or physician (at the candidate's expense). Information about their area of specialization and their professional credentials, including certification and licensure, should be clearly delineated.
- C. Documentation should be submitted on official letterhead from a licensed and/or qualified (expert) physician who has conducted a clinical examination of the individual and

diagnosed a physical or mental impairment. Depending on the disability and written evaluation, documentation may include a letter from a physician or a lengthy assessment report.

- D. Documentation should provide evidence of a substantial limitation to physical or academic functioning. For invisible disabilities, the following areas must be assessed (these suggested tests are not meant to preclude assessment in other relevant areas):
1. Ability – The Weschler Adult Intelligence Scale (WAIS-III), with subtest scores, should be included as a standard measure of overall intelligence. The WAIS is only one component of a full documentation report. This test alone is not acceptable.
 2. Achievement – A comprehensive academic achievement battery, with subtest scores, is essential. Current levels of academic functioning in relevant areas, such as reading (decoding and comprehension), mathematics, and oral/written language are required. Tests must be reliable, standardized, and valid for use in an adolescent/adult population.
 3. Processing Skills – Other tests in processing areas may warrant evaluation as indicated by the tests above. These areas include information processing, visual and auditory processing, and processing speed.
- E. Documentation should be recent (no more than three years old).
- F. Documentation for all disabilities should describe the extent of the disability, the criteria for the diagnosis, the diagnosis, the type and length of treatment and/or recommended testing modification. Terms such as learning “problems,” “deficiencies,” “weaknesses,” and “differences” are not the equivalent of a diagnosed learning disability. The following testing modifications are available for the Uniform CPA Examination and may be granted to an applicant by the Board if deemed eligible:
1. Additional Break Time – Extension of scheduled breaks or inclusion of additional breaks
 2. Additional Testing Time – Typically time and a half or double time
 3. Logistical Provisions – Adjustment of height of workstation table, monitor, or other similar accommodation, or allowance of specific items that have been approved by the Board (i.e. back wedge or pillow)
 4. Separate Room – Must be monitored throughout test administration
 5. Reader – An individual to read information verbatim from screen for examinees, separate room required
 6. Amanuensis – An individual to operate mouse and/or keyboard for examinee; separate room required
 7. Sign Language Interpreter – An individual to sign instructions and serve as interpreter between the testing center administrator and examinee. Sign language interpreters are normally not allowed to accompany examinees into the testing room
 8. Intellikeys Keyboard – Allows examinees with limited use of hands to operate keyboard
 9. Intellikeys Keyboard with Magic Arm and Super Clamp Attachment – Swivel arm that allows precise placement of keyboard

10. Kensington Expert Mouse – Trackball mouse
11. Headmaster Plus Mouse Unit – Mouse operated by head movements
12. Selectable Background and Foreground colors – Allows selection of text and background colors for ease of reading on-screen
13. Screen Magnifier – Attaches to monitor and enlarges screen
14. Zoomtext Software – Screen magnification

The following testing modifications are not required by the ADA and are not available as testing modifications for the Uniform CPA Examination:

1. Separate room in order to use breast pump;
2. English as a second language;
3. Audiotape, CD, or any electronic format;
4. Written examination; or
5. Braille

All denials of accommodations must be preapproved by the Executive Director.

Effective: May 15, 2001
*Revised: April 25, 2011



Washington State Board of Accountancy

Policy Number: 2011-1

Title: Principles Underlying Board Rules

Revised: April 17, 2014*

Approved: 
Emily R. Rollins, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

PURPOSE:

The purpose of this policy is to provide and communicate the Board's principles underlying the development and implementation of Board rules.

PRINCIPLES:

Board rules are intended to promote the following professional obligations:

- (1) **Serve the public interest** -A person representing oneself as a CPA, CPA-Inactive certificate holder, or using the CPA or CPA-Inactive title, CPA firms or firm owner and professional employees of such persons must accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism.
- (2) **Exercise Reasoned Professional Judgment** -In carrying out their responsibilities, a person representing oneself as a CPA, CPA-Inactive certificate holder or firm owner and professional employees of such persons must exercise reasoned professional judgment in all their activities.
- (3) **Demonstrate Integrity** - To maintain and broaden public confidence a person representing oneself as a CPA, CPA-Inactive certificate holder or firm owner and professional employees of such persons must perform all professional responsibilities with the highest sense of honesty.
- (4) **Maintain Personal Objectivity** – A person representing oneself as a CPA, CPA-Inactive certificate holder or firm owner and professional employees of such persons must maintain objectivity at all times when rendering professional services.

Specifically, a person representing oneself as a CPA or CPA-Inactive, firm owners, and professional employees of such persons must:

- (a) Avoid rendering professional services where actual or perceived conflicts of interest exist;
- (b) Be independent in fact and appearance when required by professional standards.

In sum, a person representing oneself as a CPA or CPA-Inactive certificate holder, firm owners, and professional employees of such persons must exercise due professional care to:

- (a) Comply with federal and state laws and the profession's technical and ethical standards;
- (b) Maintain competence and strive to improve the quality of services; and
- (c) Personally discharge professional responsibility with the highest sense of integrity, objectivity and ethical commitment.

POLICY STATEMENTS:

Board rules should be developed to promote and enhance the forgoing personal qualities as well as ensure that violations of the forgoing principles are adequately addressed.

Implementation of Board rules should ensure that violators of the public trust receive appropriate discipline on a "fair and equitable" basis.

Effective: April 23, 2013



Washington State Board of Accountancy

Policy Number: 2011-2

Title: Interim Policy Guidelines Pending Rule Changes

Revised: April 17, 2014*

Approved: 
Emily R. Rollins, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

POLICY STATEMENT:

The Executive Director periodically finds it appropriate to seek Board concurrence prior to providing agency staff necessary guidance to implement the Public Accountancy Act or codified Board Rules, 4-30 WAC. The practice and regulatory environments are periodically subject to rapid changes due to economic and/or state and federal regulatory developments. Board rule changes are subject to state rule making processes that can delay formal and responsive guidance to address emerging issues. This policy is to provide for public input and temporary guidance to facilitate responsible agency responses to changing circumstances.

This temporary Board guidance will be requested by the Executive Director for discussion at any open public Board meeting. The guidance will become effective on the date approved by the Board. The guidance will be subsequently posted on the agency's website in a conspicuous location to enhance the awareness of consumers and the members of the regulated population.

The temporary guidance will be simultaneously superseded upon the effective date of any adopted codified rule or rules addressing the issue as an outcome of the rule making process.

PROCEDURES:

I. CPE Deficiencies:

If the CPE deficiency is self-reported after June 30 of the renewal year or if the CPE deficiency is determined during CPE audit, staff is to follow the Board's delegation related to the issuance of Administrative Notices of Noncompliance:

1. Applicants with CPE deficiencies up to and including 16 deficient hours are *subject to delegated administrative sanctioning guidelines*; and
2. Applicants deficient 17 hours and above shall be referred to investigations and

enforcement.

II. Electronic Transcripts:

Electronic transcripts are acceptable *provided that the sender* is either:

1. The educational institution responsible for the credits and/or degrees granted; or
2. The electronic transcript service provider engaged by the educational institution responsible for the credits and/or degree granted.

Effective: April 25, 2011
*Revised: October 23, 2012



Washington State Board of Accountancy

Policy Number: 2012-1

Title: Social Media

Effective: April 23, 2013

Approved: *Emily R. Rollins CPA, Chair*
Emily R. Rollins, CPA, Chair

PURPOSE:

To establish the Board's position and guidelines regarding the proper business use of social media by employees or by contractors performing work for the Board. Social media is used by the Board primarily as a communication tool and sometimes as an investigative tool.

DEFINITIONS:

Social media refers to any interactive Web-based technologies used for social networking and for sharing, discussing and/or developing content. Types of social media include, but are not limited to, blogs, video- or photo-sharing sites, and social-networking sites. Examples of social-media sites include, but are not limited to, YouTube, Flickr, Twitter, Facebook, and LinkedIn.

Social networking refers to the use of social media for building online communities and/or communicating with groups of individuals.

EMPLOYEE USE:

I. Permitted Use

- Board employees must receive, from the Executive Director, prior approval to use social media for Board related business.
- After being approved by the Executive Director, employees may use social media in the workplace only for approved agency purposes – under no circumstances is social media for personal use allowed.

- At this time, the Board's communication manager, under the direction of the Board's Executive Director, will be the person permitted to communicate through social media on behalf of the Board.
- Board employees shall not set-up a social media account for agency purposes unless approved in advance under this policy.
- Approved Board employees who engage in social media for agency purposes shall not engage in unlawful or prohibited conduct.
- Failure to abide by this policy established for use of social media or participation in any activity inconsistent with the Board's values and mission may result in appropriate disciplinary action.

II. Personal Use

- Board employees should not use personal social media accounts to transact agency business, or to post privileged or confidential material. Content posted on personal social media sites should never be attributed to, or appear to be endorsed by or to have originated from, the Board.
- Board employees should never use their work e-mail account or password in conjunction with a personal social media site.
- Work equipment and resources, including paid work time, must not be used to access personal social media accounts.

III. Records and Privacy Guidelines

The Internet is an unsecured publicly accessible network. Board employees should have no expectation of privacy in the use of Internet resources. Owners of Internet sites commonly monitor usage activity and those activities may be disclosed to any number of parties.

- Information used for publication via social media will follow the general and/or agency's approved retention schedule.
- The Board reserves the right to monitor Internet usage at such times and in such circumstances as appropriate.
- Social media shall not be used to distribute privileged or confidential material.