

Board of Accountancy

WASHINGTON STATE



REGULAR BOARD MEETING AGENDA

Date, Time: Friday, April 28, 2017 – 9:00 a.m.
Location: Central Washington University
Barge Hall, Board of Trustees Conference Room 412
400 East University Way
Ellensburg, WA 98926
(509) 963-1111

Notices: None

Chair Introductions

REGULAR MEETING AGENDA

1. Minutes – January 27, 2017, Regular Board MeetingA
2. Board Policies – Annual Review
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3. Rules Review
 - a. WAC 4-30-050 and WAC 4-30-051 Board DiscussionL
 - b. WAC 4-30-140, What are the authority, structure, and processes for investigations and sanctions?
4. Legal Counsel’s Report

The Board of Accountancy schedules all public meetings at barrier free sites. Persons who need special assistance, such as enlarged type materials, please contact the Board's Americans with Disabilities Act contact person:

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7-1-1 or 1-800-833-6388 (TTY) - 1-800-833-6385 (Telebraille)
(TTY and Telebraille service nationwide by Washington Relay
www.washingtonrelay.com)

5. Chair’s Report
 - a. Status of UAA Recommended Draft Model Rule for Continuing Professional Education (CPE) Requirements
 - b. NASBA Ethics Committee Update on Withholding Records Pending Payment
 - c. UAA Committee Update on the Chartered Global Management Accountant (CGMA) Designation

6. Committee/Task Force Reports
 - a. Executive – Thomas G. Neill, CPA, Chair - *Verbal Report*
 - b. Compliance Assurance Oversight – Karen R. Saunders, CPA, Chair – *Verbal Report*M
 - c. Legislative Review – Favian Valencia, Chair – *No Report*
 - d. Quality Assurance – Thomas G. Neill, CPA, Chair – *Verbal Report*N
 - e. Request Review – Elizabeth D. Masnari, CPA, Chair – *Verbal Report*.....O
 - f. State Ethics Compliance – James R. Ladd, Ethics Advisor – *No Report*
 - g. Qualifications – Emily R. Rollins, CPA, Chair – *Verbal Report*
 - h. Performance Review and Succession – Emily R. Rollins, CPA, Chair – *No Report*
 - i. Social Media – Favian Valencia, Chair – *Verbal Report*P
 - j. WSCPA Education Fund – Elizabeth D. Masnari, CPA, Chair – *No Report*

7. Executive Director’s Report
 - a. 2017-2019 Proposed Budget UpdateQ
 - b. Bills Passed by the Legislature Regarding Small Business
 - c. Results Washington – Measure Development Related to Pipeline
 - d. Canada Cross-border Initiative
 - e. Other Issues

8. Enforcement ReportR

9. Executive and/or Closed Sessions with Legal Counsel

10. Public Input - To ensure the public has an opportunity to address its concerns and the Board has an opportunity to ask questions of the public. Individual speakers will be provided 10 minutes each.

WASHINGTON STATE BOARD OF ACCOUNTANCY

Unapproved Draft - Minutes of a Regular Meeting of the Board – Unapproved Draft

Time and Place of Meeting	9:01 a.m. – 1:48 p.m. Friday, January 27, 2017 Highline Community College Building 2 2400 S. 240 th Street Des Moines, WA 98198
Attendance	<u>Board Members</u> Thomas G. Neill, CPA, Chair, Board Member Elizabeth D. Masnari, CPA, Vice Chair, Board Member (left at 12:00 p.m.) James R. Ladd, CPA, Secretary, Board Member Emily R. Rollins, CPA, Board Member Karen R. Saunders, CPA, Board Member Favian Valencia, Public Member Rajib Doogar, Public Member (left at 12:00 p.m.) Mark Hugh, CPA, Board Member <u>Staff and Advisors</u> Charles E. Satterlund, CPA, Executive Director Jennifer Sciba, Deputy Director Kirsten Donovan, Board Clerk
Call to Order	Board Chair, Tom Neill, called the regular meeting of the Board to order at 9:01 a.m. The Board Chair excused the absences of Joel Cambern, Public Member, and Bruce Turcott, AAG, Board Advisor.
Minutes – October 28, 2016 Annual Board Meeting	The Board approved the minutes of the October 28, 2016, annual Board meeting as presented.
Washington State Office of the Attorney General – State Action Training for Boards	Justin Wade, AAG, presented the PowerPoint, “How Teeth Whitening Changed the Landscape of State Action Boards”, and followed with a question and answer session.
Delegations of Authority	The Board reviewed and voted to revoke the following delegation, as the position of Director of Investigations is vacant: <ul style="list-style-type: none">• Authority to Conduct Investigations

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The Board voted to retain the following delegations revised for the current chair's name, signature, and date:

- Charges, Subpoenas, Negotiate Settlement
- Administrative Notices of Non-Compliance/Administrative Sanctions
- CPE Waiver Extension Requests/Request Review Committee
- Quality Assurance Oversight/Review of Publicly Available Professional Work

Rules Review

WAC 4-30-051 What are the requirements concerning clients records, including response to requests by clients and former clients for records?

Tom Neill led the discussion of possible revisions to the rule. Mark Hugh will work with Board staff to draft a proposed revision to WAC 4-30-051, which will more closely align the Board Rule with AICPA Code Section 1.400.200.

WAC 4-30-132 What are the program standards for CPE?

Tom Neill led the discussion of possible revisions to the rule. After the comment period for the UAA Recommended Draft Model Rule for CPE Requirements, the Qualifications Committee will work on a drafting possible revisions to WAC 4-30-132.

NASBA Update

Ed Jolicoeur, NASBA Pacific Regional Director, reported on the following NASBA activities:

- Communication with State Boards
- Western Regional Meeting on June 7-8 with the new Board Member orientation on June 6. He highly encouraged the new Board Members to attend if their schedules allowed.
- Board of Directors Annual Meeting, which included the topics of unilateral international pathway to CPA and the CPE Model Rules exposure draft
- Training issues on the use of title with the development of model language, which is going to committee for review

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- Evaluation of peer review administration
- CPE audit tool, which should be available in April
- Accreditation of educational institutions
- Data analytics
- Firm mobility which has been adopted by 16 State Boards

Tom Neill reported that at the NASBA Annual Meeting he, Board staff, a NASBA official, an AICPA official, Canadian officials, and a representative from the Washington Society of CPAs (WSCPAs) met to discuss cross border mobility. Each side will look at their statutes and rules for barriers to mobility with possible changes coming in the 2018 legislative session.

Board Member Participation Summary

Board Members discussed their participation in Board outreach activities for 2016.

Chair's Report

Discussion of WAC 4-30-050 and AICPA Code of Professional Conduct 1.400.205

The Board Chair led the discussion on possible revisions to the rule. Mark Hugh and Tom Neill will work on drafting a proposed revision to WAC 4-30-050, which will more closely align the Board Rule with AICPA Code Section 1.400.205.

Board Communications

The Board Chair reminded Board Members that email communications regarding Board activities are subject to the Public Records Act, RCW 42.56. Board staff is responsible for maintaining the email records when a staff member is the sender or is included as a recipient. If no staff member is included in email communications, the Board Member should coordinate with the Deputy Director, so that she is aware of the records in case of a public records request.

Executive Committee

Tom Neill reported that he had a telephone call with the members of the committee. They discussed matters regarding possible future rule changes that were covered in his meeting with the Executive and Deputy Director earlier in January. The topics covered will be addressed in the Executive Director's report later in the meeting.

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**Compliance
Assurance
Oversight
Committee**

Karen Saunders had nothing to report.

**Legislative Review
Committee**

Favian Valencia had nothing to report.

**Quality Assurance
Committee**

Tom Neill reported on the peer review process. He noted that things seem to be getting more punitive.

**Request Review
Committee**

Tom Neill reported on the 4th quarter 2016 approval and denials from the committee:

Firm Names: Approved:

ELIZABETH LOVELAND CPA
JOSE L SANCHEZ, JD, CPA
COLUMBIA BASIN CPA, PLLC
HARTVIGSEN FINANCIAL SERVICES
DOWELL CONSULTING, PLLC
THE SHERIFF CPA SERVICES, LLC
WGN, PS
FBCPA GROUP PS, INC
ATS ACCOUNTING & TAX SERVICES INC.
360 ADVANCED, INC.
ALPINE PS CPAS
ALDRICH CPAS AND ADVISORS LLP
PROVIDUS CONSULTING, LLC
UMC CPA'S PLLC
LAKE WASHINGTON CPA, LLC
BENNETT ACCOUNTING SERVICES, LLC

Professional/Educational Organization - Recognition

Requests: During the 4th quarter 2016, the Board recognized MindEdge, Inc. as educational organization for purposes of obtaining a list of individual CPAs.

Domestic or Foreign Education Credential Evaluation

Services – Applications: During the 4th quarter 2016, the

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Board did not receive any requests for recognition of domestic or international education credential evaluation services.

CPE Extension Requests: CPE Extension Requests were received between 11/01/2016 and 12/31/2016.

A total of 32 requests were received:

- 1 request was for hours 16 or under:
 - 1 denied
- 31 requests were for hours 17 or over:
 - 20 approved
 - 11 denied

**State Ethics
Compliance
Committee**

Jim Ladd had nothing to report.

**Qualifications
Committee**

Emily Rollins reported that military and Chartered Accountant education are possible upcoming topics for discussion.

**Performance
Review and
Succession
Committee**

Emily Rollins had nothing to report, but asked the Executive Director to let her know if he had any input or needed anything related to performance review.

**Social Media
Committee**

Favian Valencia presented the NASBA created video, "How to Qualify for the CPA Exam", which will be added to the Board's website.

He also led the discussion on establishing a Board Facebook page. Board Member and staff's primary concerns included public records issues, staff work load concerns, and set-up and maintenance costs. The Deputy Director will have the Chief Information Officer prepare a business plan, which addresses these concerns, for the April Board meeting.

**WSCP A Education
Fund Committee**

Tom Neill presented the report, Accounting of Receipts and Disbursements, Washington State Certified Public Accounting Scholarship Program for the Year Ending December 31, 2016.

Executive Director's Report Legislation

The Executive Director reported that he is following current legislation that may affect the Board. He attended a hearing for Senate Bill 5057, which involves hearings and the Office of Adjudicative Proceedings.

Establishing Priorities for Statute and Rule Changes for FY 18

The Executive Director reported that he will circulate a strategic plan for possible upcoming revisions.

Operational and IT Priorities – Management by Objective

The Deputy Director reported that all administrative policies are currently being updated. She also provided the Board with the credentialed population numbers and the renewal period progress.

She reported that the Chief Information Officer was hired to ensure that our IT systems meet the business needs, while following state and business requirements. The current projects include increasing functionality to the customer application and website with a commitment to increase our Americans with Disability Act (ADA) compliance.

Budget Status

The Executive Director presented the Allotment Expenditure/Revenue BTD Flexible Report, the Certified Public Accountant's Account Fund Balance, and the CPA Scholarship Transfer Account Fund Balance for transactions run through December 30, 2016.

Enforcement Focus on Case Resolution – Fish or Cut Bait

The Executive Director reported that the case load is manageable with cases being resolved as quickly as possible.

Conversations with the Washington Association of Accountants and Tax Preparers (WAATP)

The Executive Director reported that he has been in discussion with members of WAATP on various topics, and he will be presenting at their annual meeting.

WBOA Participation in Results Washington

The Executive Director stated that he is working with Tom Neill and Rajib Doogar on creating a report.

Enforcement Report

The Executive Director presented the following reports to the Board:

- Enforcement Annual Report for January 1, 2016 through December 31, 2016
- Quarter Report for October 1, 2016 through December 31, 2016

Legal Counsel's Report

No legal counsel report was given.

Executive and/or Closed Sessions with Legal Counsel

No executive or closed sessions with legal counsel held.

Public Input

The Board received input from members of the WSCPA and WAATP throughout the meeting.

Adjournment

The Chair adjourned the meeting at 1:48 p.m.

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Secretary

Chair

Vice-Chair

Member

Member

Member

Member

Member

Member



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 30, 2015

Approved: 
Donald F. Aubrey, 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. 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.
<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 noncompliance 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.

General Categories of Misconduct	Examples of Sanctionable Acts:
	<ul style="list-style-type: none"> • 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 non-CPA</p>	<ul style="list-style-type: none"> Continued use of title after passing the exam for the earlier of 90 days prior to obtaining a license or the posting of a Notice of Noncompliance. Used title to intentionally defraud investors.
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V. 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) a preponderance of evidence is obtained by investigation to merit a monetary penalty.

	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 of Noncompliance and advisory to obtain a license or cease title use and offering or performing public accounting services within 90 days of the U.S. postmark of the Administrative Notice of Noncompliance.
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 monetary penalty + 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 representation on a reinstatement application that the CPA title had not been used when in fact the title had been used.	\$750 monetary penalty + 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 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 monetary penalty + 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>
5.	First-time failure to timely change either or both individual and/or firm addresses.	\$0 - \$200 monetary penalty + 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>
6.	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 monetary penalty + cost recovery <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 misunderstanding of courses qualifying for the CPE in regulatory ethics specific to Washington State.	\$100 monetary penalty + 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>
8.	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 monetary penalty + 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>
9.	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 monetary penalty + cost recovery + <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 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 monetary penalty + 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 consenting to an Administrative Sanction..</i>
11.	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 monetary penalty + 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>
12.	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 monetary penalty + cost recovery + (if applicable) restitution to reviewer (firm) + other appropriate corrective remedies.
13.	First-time Resident or Out-of-State CPA firm violation for not obtaining a Washington State license before offering or performing Compilation, Review, Audit, or other Attest engagements for a client with an office in this state or with a home office (RCW 18.04.025(10)) in this state.	\$1,500 monetary penalty + 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> <i>This monetary penalty will not apply to CPA firms applying and receiving a firm license within 90 days from the U.S. Postal Date of the Notice of Non-Compliance for unlicensed firm practice in Washington State sent by the Board to the firm.</i>

<p>14. First-time CPE deficiencies by licensees, certificate holders, and non-CPA firm owners.</p> <p>Example:</p> <p>Licensee failed to timely complete 120 hours of CPE, including failure to register and successfully complete the Board approved 4-hour course on Ethics and Regulation in Washington State during the CPE Reporting Period. The licensee:</p> <ul style="list-style-type: none"> • Self-Reported a deficiency during the renewal period <u>but did not complete the required CPE credit hours by June 30</u> of the licensee's renewal year; or • The licensee failed to file a request for extension of time for reasonable cause and failed to Self-Report a deficiency. The deficiency was identified by CPE audit. <p><u>Maximum Monetary Sanction</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">1st 8 hours Short</td> <td style="padding: 2px; text-align: center;">\$ 250</td> <td style="padding: 2px; text-align: right;">8Hrs.</td> </tr> <tr> <td style="padding: 2px;">2nd 8 hours Short</td> <td style="padding: 2px; text-align: center;">\$ 250</td> <td style="padding: 2px; text-align: right;">8Hrs.</td> </tr> <tr> <td style="padding: 2px;">Additional hrs.</td> <td style="padding: 2px; text-align: center;">\$3,000</td> <td style="padding: 2px; text-align: right;">100Hrs.</td> </tr> <tr> <td></td> <td style="padding: 2px; text-align: center;">\$3,500</td> <td style="padding: 2px; text-align: right;">116Hrs.</td> </tr> <tr> <td style="padding: 2px;">Ethics Course</td> <td style="padding: 2px; text-align: center;">\$ 500</td> <td style="padding: 2px; text-align: right;">4Hrs.</td> </tr> <tr> <td style="padding: 2px;">Totals</td> <td style="padding: 2px; text-align: center;">\$4,000</td> <td style="padding: 2px; text-align: right;">120Hrs.</td> </tr> </table>	1 st 8 hours Short	\$ 250	8Hrs.	2 nd 8 hours Short	\$ 250	8Hrs.	Additional hrs.	\$3,000	100Hrs.		\$3,500	116Hrs.	Ethics Course	\$ 500	4Hrs.	Totals	\$4,000	120Hrs.	<p><u>Licensee:</u></p> <p>Exclusive of the required 4-hour course addressing ethics and regulation in Washington State a sliding scale:</p> <p>\$250 monetary penalty for a deficiency up to and including 8 CPE credit hours;</p> <p>\$500 monetary penalty for a deficiency up to and including 16 CPE credit hours;</p> <p>Plus an additional \$30 monetary penalty for each CPE credit hour deficient from 17 CPE credit hours to 100 CPE credit hours.</p> <p>Additional (Separate) \$500 monetary penalty 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 Non-CPA firm owner:</u></p> <p>\$500 monetary penalty + cost recovery for failure to complete the required 4-hour course addressing ethics and regulation in Washington State.</p> <p>All amounts assessed are <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i></p>
1 st 8 hours Short	\$ 250	8Hrs.																	
2 nd 8 hours Short	\$ 250	8Hrs.																	
Additional hrs.	\$3,000	100Hrs.																	
	\$3,500	116Hrs.																	
Ethics Course	\$ 500	4Hrs.																	
Totals	\$4,000	120Hrs.																	

No information of a first-time Administrative Violation will be disclosed by staff; however Board staff will:

- Post statistics related to these sanctions on the Board's website
- Comply with the Public Records Act.

If an individual or firm's conduct includes multiple first-time administration violations of different types, the Executive Director may impose the more severe first-time

administrative sanction or open an investigation if the matter demonstrates a pattern of unprofessional regulated conduct.

Effective: October 29, 2004

*Revised: October 24, 2014; 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



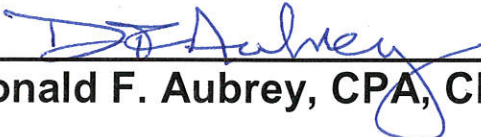
Washington State Board of Accountancy

Policy Number: 2011-2

Title: Interim Policy Guidelines Pending Rule Changes

Revised: October 30, 2015*

Approved:



Donald F. Aubrey, 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. 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: April 17, 2014; 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.




Washington State Board of Accountancy

Policy Number: 2015-1

Title: Board Member Travel and Attendance at Group Gatherings

Adopted: January 30, 2015

Approved:



Donald F. Aubrey, CPA, Chair

Purpose:

To ensure the continuity of the Board's authority to take legal action in the event of unexpected travel challenges or other events while some or all Board members are in group travel status.

To ensure that no Board actions occur at social, business, or professional gatherings attended by a quorum of Board members.

Policy:

Board members may periodically travel or congregate together at social, business, or professional meetings. A quorum of voting Board members is required for the Board to conduct its business.

It is the policy of this Board that:

1. No more than three Board members shall travel together in a common vehicle or on a common carrier to ensure that any required Board action would be legally binding in the event of unexpected travel challenges or other events while some or all Board members are in travel status and not present to vote.
2. The Open Public Meetings Act of this state is designed to promote transparency when boards and commissions conduct public business. Board business or recommended Board actions shall not be discussed as a group if a quorum or more of Board members attend social, business, or professional gatherings.

1. Defining authorized persons.

Rule 050 defines “client” as a current or former client, but does not specify what natural person can authorize consent, such as a business owner, partner, corporate officer, or LLC member or manager, or trustee. Rule 051 contains no definition of “client”. And, what natural person is authorized could vary widely depending on the type of entity.

AICPA ET Section 1.400.200 notes that a member who has provided records to an individual designated or held out as the client’s representative, such as the general partner, majority shareholder, or spouse, is not obligated to provide such records to other individuals associated with the client.

Does the Board want to further define “client” to only include authorized persons on the behalf of the client? And, how specifically does the Board want to define “authorized persons”?

2. Affirmative versus implied consent for transfer of records.

AICPA ET Section 1.400.205 provides that for a sale or transfer of a practice, the buyer and seller must notify clients of transfers and records may be transferred after 90 days if no client confirmation. Board policy is that affirmative consent must be received.

Adopting the AICPA’s implied consent would ease the transfer of records in the sale or transfer of a practice, and would be especially useful in the situations of the transfers of the practice of deceased licensees.

Does the Board want to adopt the provisions of ET section 1.400.205 that allow implied consent for transfer of records in a sale or transfer of a practice?

3. Disclosing information to third party service providers (part one).

AICPA ET Section 1.700.050 on confidentiality provides that when disclosing information to third party service providers, a CPA must either determine that the third-party service provider has adequate safeguards, or alternatively obtain client consent. Board policy is the affirmative consent must be received.

AICPA ET Section 1.150.040 on integrity and objectivity notes a member should disclose the use of a third-party service provider to a client. However, a member is not required to inform the client when he or she uses a third-party service provider to provide

administrative support services to the member (for example, record storage, software application hosting, or authorized e-file tax transmittal services).

Does the Board want to clarify Rule 050 to state that using third party service providers for administrative support services such as record storage, software application hosting, or authorized e-file tax transmittal services, requires affirmative client consent?

4. Disclosing information to third party service providers (part two).

AICPA ET Section 1.700.050 on confidentiality provides that when disclosing information to third party service providers, a CPA must either determine that the third-party service provider has adequate safeguards, or alternatively obtain client consent. Board policy is the affirmative consent must be received.

AICPA ET Section 1.300.010 on competence notes that that a normal part of providing professional services involves performing additional research or consulting with others to gain sufficient competence.

AICPA ET Section 1.700.090 on confidentiality notes that disclosure of a client's name does not violate the confidential client information rule, if the disclosure of the name itself does not constitute the release of confidential client information. For example, if a member's practice is limited to bankruptcy matters, disclosure of the client's name could suggest that the client may be experiencing financial difficulties, which may be confidential client information.

Licensees will often consult with, but not engage, other licensees on specific client matters as part of due professional care and efforts to gain sufficient competence. Often the name of the client is not disclosed to the third party.

Does the Board consider this an issue that needs to be addressed in Rule 050? Does it matter whether the name of the client is disclosed to the third party?

5. Withholding records for outstanding fees.

AICPA ET Section 1.400.200 allows that member prepared records and member prepared work products may be withheld for outstanding fees.

Rule 051 provides that completed records prepared by the licensee may generally not be withheld for outstanding fees. A licensee may charge a reasonable fee for the time and expense incurred to retrieve and copy the records.

The nationwide trend has shifted away from the Board's position that completed records prepared by the licensee must not be withheld for outstanding fees and now the Board's position is a minority position among the states.

Does the Board want to change its position that completed records prepared by the licensee may generally not be withheld for outstanding fees?

6. Electronic records.

Rule 051 notes 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.

Rule 051 also notes that a licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner 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 licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner was engaged to prepare the records in that format, the client's request should be honored.

Recurring disputes occur over electronic records such as QuickBooks data files and tax depreciation schedules that are part of the electronic tax return data file. Despite the existing rule, often electronically kept records are provided to a successor licensee in a paper format.

Does the Board want to strengthen the provisions of Rule 051 to clearly state that records that are maintained electronically must be provided electronically?

WAC 4-30-050

What are the requirements concerning records and clients confidential information?

(1) **Client:** The term "client" as used throughout WAC 4-30-050 and [4-30-051](#) includes former and current clients. For purposes of this section, a client relationship has been formed when confidential information has been disclosed by a prospective client in an initial interview to obtain or provide professional services.

(2) **Sale or transfer of client records:** No statement, record, schedule, working paper, or memorandum, including electronic records, may be sold, transferred, or bequeathed without 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 new shareholders of the licensee, partnership, limited liability company, or corporation, or any combined or merged partnership, limited liability company, or corporation, or successor in interest.

(3) **Confidential client communication or information:** Licensees, CPA-Inactive certificate holders, nonlicensee firm owners and employees of such persons must not without the specific consent of the client or the heirs, successors, or authorized representatives of the client disclose any confidential communication or information pertaining to the client obtained in the course of performing professional services.

This rule also applies to confidential communications and information obtained in the course of professional tax compliance services unless state or federal tax laws or regulations require or permit use or disclosure of such information.

Consents may include those requirements of Treasury Circular 230 and IRC Sec. 7216 for purposes of this rule, provided the intended recipients are specifically and fully identified by full name, address, and other unique identifiers.

(4) This rule does not:

(a) Affect in any way the obligation of those persons to comply with a lawfully issued subpoena or summons;

(b) Prohibit disclosures in the course of a quality review of a licensee's attest, compilation, or other reporting services governed by professional standards;

(c) Preclude those persons from responding to any inquiry made by the board or any investigative or disciplinary body established by local, state, or federal law or recognized by the board as a professional association; or

(d) Preclude a review of client information in conjunction with a prospective purchase, sale, or merger of all or part of the professional practice of public accounting of any such persons.

WAC 4-30-051

What are the requirements concerning client records, including response to requests by clients and former clients for records?

(1) The following terms are defined below solely for use with this section:

(a) **Client provided records** are accounting or other records belonging to the client that were provided to the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner and employees of such persons by or on behalf of the client.

(b) **Client records prepared by the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner** 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 licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner and employees of such persons was engaged to prepare for the client.

(c) **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 licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner and employees of such persons during an engagement.

(d) **Licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner 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 licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner and employees of such persons.

(2) When a client or former client (client) makes a request for client-provided records, client records prepared by the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner, or supporting records that are in the custody or control of the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner that have not previously been provided to the client, the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner should respond to the client's request as follows:

(a) Client provided records in the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner custody or control must be returned to the client.

(b) Client records prepared by the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner must be provided to the client, except that client records prepared by the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner may be withheld if the preparation of such records is not complete.

(c) Supporting records relating to a completed and issued work product must be provided to the client.

(d) Persons subject to this subsection 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.

(3) The licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner 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 licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner was engaged to prepare the records in that format, the client's request should be honored.

(4) Licensees, CPA-Inactive certificate holders, nonlicensee firm owners, and/or employees of such persons must not refuse to return or provide records indicated in subsection (1)(a), (b), and (c) of this section including electronic documents, pending client payment of outstanding fees.

(5) Once the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner and employees of such persons has complied with the requirements in subsection (2) of this section, he or she is under no ethical obligation to comply with any subsequent requests to again provide such records or copies of such records. However, if subsequent to complying with a request, a client experiences a loss of records due to a natural disaster or an act of war, the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner should comply with an additional request to provide such records.

(6) Licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner working papers are the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner property and need not be provided to the client under provisions of this section; however, such requirements may be imposed by state and federal statutes and regulations, and contractual agreements.

(7) In connection with any request for client-provided records, client records prepared by the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner and employees of such persons, or supporting records, the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner may:

(a) 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;

(b) Provide the requested records in any format usable by the client;

(c) Make and retain copies of any records returned or provided to the client.

(8) Where a licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner is required to return or provide records to the client, the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner should comply with the client's request as soon as practicable but, absent extenuating circumstances, no later than forty-five days after the request is made. The fact that the statutes of the state in which the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner practices grants the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner a lien on certain records in his or her custody or control does not relieve the licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner of his or her obligation to comply with this section.

(9) A licensee, CPA-Inactive certificate holder, and/or nonlicensee firm owner 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.

(10) Audit and review record retention requirements: 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:

(a) Records forming the basis of the audit or review;

(b) Records documenting audit or review procedures applied;

(c) Records documenting evidence obtained including financial data, analyses, conclusions, and opinions related to the audit or review engagement; and

(d) Records documenting conclusions reached by the licensee in the audit or review engagement.

ET Section 1.700.001 Confidential Client Information Rule

.01 A member in public practice shall not disclose any confidential client information without the specific consent of the client.

.02 This rule shall not be construed (1) to relieve a member of his or her professional obligations of the “Compliance With Standards Rule” [1.310.001] or the “Accounting Principles Rule” [1.320.001], (2) to affect in any way the member’s obligation to comply with a validly issued and enforceable subpoena or summons, or to prohibit a member’s compliance with applicable laws and government regulations, (3) to prohibit review of a member’s professional practice under AICPA or state CPA society or Board of Accountancy authorization, or (4) to preclude a member from initiating a complaint with, or responding to any inquiry made by, the professional ethics division or trial board of the Institute or a duly constituted investigative or disciplinary body of a state CPA society or Board of Accountancy. Members of any of the bodies identified in (4) above and members involved with professional practice reviews identified in (3) above shall not use to their own advantage or disclose any member’s confidential client information that comes to their attention in carrying out those activities. This prohibition shall not restrict members’ exchange of information in connection with the investigative or disciplinary proceedings described in (4) above or the professional practice reviews described in (3) above. [Prior reference: paragraph .01 of ET section 301]

ET Section 1.400.200 Records Requests

Terminology

.01 The following terms are defined here solely for use with this interpretation:

- a. A client includes current and former clients.
- b. A member means the member or the member's firm.
- c. Client-provided records are accounting or other records, including hardcopy and electronic reproductions of such records, belonging to the client that were provided to the member by, or on behalf of, the client.
- d. Member-prepared records are accounting or other records that the member was not specifically engaged to prepare and that are not in the client's books and records or are otherwise not available to the client, thus rendering the client's financial information incomplete. Examples include adjusting, closing, combining, or consolidating journal entries (including computations supporting such entries) and supporting schedules and documents that the member proposed or prepared as part of an engagement (for example, an audit).
- e. Member's work products are deliverables set forth in the terms of the engagement, such as tax returns.
- f. Working papers are all other items prepared solely for purposes of the engagement and include items prepared by the
- i. member, such as audit programs, analytical review schedules, and statistical sampling results and analyses.
- ii. client at the request of the member and reflecting testing or other work done by the member.

Interpretation

.02 Members must comply with the rules and regulations of authoritative regulatory bodies, such as the member's state board(s) of accountancy, when the member performs services for a client and is subject to the rules and regulations of such regulatory body. For example, a member's state board(s) of accountancy may not permit a member to

withhold certain records, even though fees are due to the member for the work performed. Failure to comply with the more restrictive provisions of the applicable regulatory body's rules and regulations concerning the return of certain records would constitute a violation of this interpretation.

.03 The member should return client-provided records in the member's custody or control to the client at the client's request.

.04 Unless a member and the client have agreed to the contrary, when a client makes a request for member-prepared records or a member's work products that are in the member's custody or control and that have not previously been provided to the client, the member should respond to the client's request as follows:

- a. The member should provide member-prepared records relating to a completed and issued work product to the client, except that such records may be withheld if fees are due to the member for that specific work product.
- b. Member's work products should be provided to the client, except that such work products may be withheld
 - i. if fees are due to the member for the specific work product;
 - ii. if the work product is incomplete;
 - iii. if for purposes of complying with professional standards (for example, withholding an audit report due to outstanding audit issues); or
 - iv. if threatened or outstanding litigation exists concerning the engagement or member's work.

.05 Once a member has complied with these requirements, he or she is under no ethical obligation to

- a. comply with any subsequent requests to again provide records or copies of records described in paragraphs .03–.04. However, if subsequent to complying with a request, a client experiences a loss of records due to a natural disaster or an act of war, the member should comply with an additional request to provide such records.
- b. retain records for periods that exceed applicable professional standards, state and federal statutes and regulations, and contractual agreements relating to the service performed. [Prior reference: paragraph .02 of ET section 501]

.06 A member who has provided records to an individual designated or held out as the client's representative, such as the general partner, majority shareholder, or spouse, is not obligated to provide such records to other individuals associated with the client. [Prior reference: paragraphs .377–.378 of ET section 591]

.07 Working papers are the member's property, and the member is not required to provide such information to the client. However, state and federal statutes and regulations and contractual agreements may impose additional requirements on the member.

.08 In fulfilling a request for client-provided records, member-prepared records, or a member's work products, the member may

a. charge the client a reasonable fee for the time and expense incurred to retrieve and copy such records and require that the client pay the fee before the member provides the records to the client.

b. provide the requested records in any format usable by the client. However, the member is not required to convert records that are not in electronic format to electronic format. If the client requests records in a specific format and the records are available in such format within the member's custody and control, the client's request should be honored. In addition, the member is not required to provide the client with formulas, unless the formulas support the client's underlying accounting or other records or the member was engaged to provide such formulas as part of a completed work product.

c. make and retain copies of any records that the member returned or provided to the client.

.09 A member who is required to return or provide records to the client 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.

.10 The fact that the statutes of the state in which the member practices grant the member a lien on certain records in his or her custody or control does not relieve the member of his or her obligation to comply with this interpretation. [Prior reference: paragraph .02 of ET section 501]

.11 A member would be considered in violation of the "Acts Discreditable Rule" [1.400.001] if the member does not comply with the requirements of this interpretation.

ET Section 1.700.040 Disclosing Information to a Third-Party Service Provider

.01 When a member uses a third-party service provider to assist the member in providing professional services, threats to compliance with the “Confidential Client Information Rule” [1.700.001] may exist.

.02 Clients may not expect the member to use a third-party service provider to assist the member in providing the professional services. Therefore, before disclosing confidential client information to a third-party service provider, the member should do one of the following:

- a. Enter into a contractual agreement with the third-party service provider to maintain the confidentiality of the information and provide reasonable assurance that the third-party service provider has appropriate procedures in place to prevent the unauthorized release of confidential information to others. The nature and extent of procedures necessary to obtain reasonable assurance depends on the facts and circumstances, including the extent of publicly available information on the third-party service provider’s controls and procedures to safeguard confidential client information.
- b. Obtain specific consent from the client before disclosing confidential client information to the third-party service provider.

.03 Refer to the “Use of a Third-Party Service Provider” interpretation [1.150.040] of the “Integrity and Objectivity Rule” [1.100.001] and the “Use of a Third-Party Service Provider” interpretation [1.300.040] of the “General Standards Rule” [1.300.001] for additional guidance. [Prior reference: paragraphs .001–.002 of ET section 391]

ET Section 1.400.205 Transfer of Files and Return of Client Records in Sale, Transfer, Discontinuance or Acquisition of a Practice

Sale or Transfer of Member's Practice

.01 A member or member's firm (member) that sells or transfers all or part of the member's practice to another person, firm, or entity (successor firm) and will no longer retain any ownership in the practice should do all of the following:

- a. Submit a written request to each client subject to the sale or transfer, requesting the client's consent to transfer its files to the successor firm and, notify the client that its consent may be presumed if it does not respond to the member's request within a period of not less than 90 days, unless prohibited by law, including but not limited to the rules and regulations of the applicable state boards of accountancy. The member should not transfer any client files to the successor firm until either the client's consent is obtained or the 90 days has lapsed, whichever is shorter. The member is encouraged to retain evidence of consent, whether obtained from the client or presumed after 90 days.
- b. With respect to files not subject to the sale or transfer, make arrangements to return any client records that the member is required to provide to the client as set forth in the "Records Request" interpretation [1.400.200] unless the member and client agree to some other arrangement.

.02 In cases in which the member is unable to contact the client, client files and records not transferred should be retained in a confidential manner and in accordance with the firm's record retention policy or as required by applicable legal or regulatory requirements, whichever is longer. When practicing before the IRS or other taxing authorities or regulatory bodies, members should ensure compliance with any requirements that are more restrictive.

Discontinuance of Member's Practice

.03 A member who discontinues his or her practice but does not sell or transfer the practice to a successor firm, should do all of the following:

- a. Notify each client in writing of the discontinuance of the practice. The member is encouraged to retain evidence of notification made to clients. The member is not required to provide notification to former clients of the firm.

b. Make arrangements to return any client records that the member is required to provide to the client as set forth in the “Records Request” interpretation [1.400.200] unless the member and client agree to some other arrangement.

.04 In cases in which the member is unable to contact the client, client files should be retained in a confidential manner and in accordance with the firm’s record retention policy or as required by applicable legal or regulatory requirements, whichever is longer. When practicing before the IRS or other taxing authorities or regulatory bodies, members should ensure compliance with any requirements that are more restrictive.

Acquisition of Practice by a Member

.05 A member who acquires all or part of a practice from another person, firm, or entity (predecessor firm) should be satisfied that all clients of the predecessor firm subject to the acquisition have, as required in paragraph .01, consented to the member’s continuation of professional services and retention of any client files or records the successor firm retains

.06 A member will be considered in violation of the “Acts Discreditable Rule” [1.400.001] if the member does not comply with any of the requirements of this interpretation.

Effective Date

.07 This interpretation is effective June 30, 2017. Early implementation is allowed.

PEER REVIEW OVERSIGHT COMMITTEE
Washington BOARD OF ACCOUNTANCY

February 27, 2017

Thomas Neill,
Washington State Board of Accountancy

RE: Annual Report on Oversight of AICPA Peer Review Program
Administered by the Washington State Society of CPAs.
For the period from January 1, 2016, through December 31, 2016.

Dear Mr. Neill:

We have completed our monitoring and evaluation of the AICPA Peer Review Program administered by the Washington State Society of CPAs (WSCPAs) for the period from January 1, 2016 through December 31, 2016. Our oversight work was performed in accordance with the *Operating Agreement between the Washington Board of Accountancy (Board) and the Washington Society of CPAs (WSCPAs) for State Oversight of the AICPA Peer Review Program*.

The purpose of the Peer Review Oversight Committee (PROC) is to provide reasonable assurance that:

- The participating entities are complying with the administrative procedures acceptable to the Board.
- Reviews are being conducted in accordance with RCW 18.04.055 and WAC 4-30-130.
- Results of peer reviews are evaluated in a consistent manner.
- Compliance assurance information is provided to reviewed firms and reviewers by administering entities in an accurate and timely manner.
- The Board is advised on any other matters related to the compliance assurance program.

The WSCPAs administration of the peer review program is performed by a Peer Review Committee and two Report Acceptance Bodies (RABs). They are assisted by three technical reviewers engaged by the WSCPAs who receive peer review reports from firms upon completion of their reviews. These reports and certain review documents provided by the peer reviewer are reviewed by the technical reviewers who summarize the information and obtain explanations from peer reviewers and require revisions as considered necessary. The RABs receive this information for review, acceptance, modification, and determination of any follow up and/or monitoring actions to be performed relative to the peer review.

We observed two of the RAB meetings that occurred during the period above. The System RAB, which reviews firms that perform audits and other attest engagements, met seven times and the Engagement RAB, which reviews firms that do not perform audit or attestation engagements, met seven times. Some of these meetings were tele-conferences. We received the information that the RABs had available to make their conclusions prior to the meetings and observed, without comment, the proceedings. One PROC member observed each meeting. After each of the meetings, the PROC member completed a standardized checklist and summarized any observations.

During the period covered by this report, the System RAB reviewed 59 reports and accepted 51 (86%) without follow-up or monitoring actions required. The remaining 6 (10%) firms were subjected to further monitoring by the RAB. Two other firms' reviews were deferred (accepted in 2017) to obtain additional information. Of the 57 accepted reports, 51 (89%) were rated "pass" by the peer reviewer, 2 (4%) were rated as "pass with deficiency (ies)" and 4 (7%) were rated "fail".

The Engagement RAB reviewed 153 reports and accepted 132 (86%) without follow-up or monitoring actions. The remaining 21 (14%) firms were subjected to further monitoring by the RAB. Of the 153 accepted reports, 131 (86%) received a rating of "pass", 12 (8%) received a rating of "pass with deficiency(ies)" and 10 (6%) received a rating of "fail".

Schedule I is a summary of matters we observed during the meetings.

Based upon the results of the procedures we performed, it is our conclusion that peer reviews administered by WSCPA for the period from January 1, 2016 through December 31, 2016 were conducted and reported on in accordance with the standards of the AICPA Peer Review Program and that the AICPA program can be relied upon as a basis for excluding licensee firms from undergoing Board initiated reviews.

Sincerely,
PEER REVIEW OVERSIGHT COMMITTEE



Karen R. Saunders, Chairman

SCHEDULE I

SUMMARY OF OBSERVATIONS OF PEER REVIEW OVERSIGHT COMMITTEE

For the period from January 1, 2016 through December 31, 2016

During our observations of the WSCPA Peer Review Committee (PRC) and its two Report Acceptance Bodies (RABs), the PROC members observed the following.

1. The PRC and RABs had good discussions relative to the more difficult reports (which contained matters for further consideration (MFCs) and findings for further consideration (FFCs)).
2. The members of the RABs had good discussions about the ratings being given on the reviews and did not always agree with the reviewer between the “pass”, “pass with deficiencies” and “fail” conclusions reached. Their recommended follow-up actions, however, generally tried to identify what would improve the quality of the firm’s attest work the most.
3. The WSCPA is continuing its efforts to find additional RAB members. The RABs take the time to help new members to understand both the peer review process and the acceptance procedures.
4. The RAB structure was updated to identify reviewers who had expertise in the must pick engagements to create a virtual RAB, so to speak, to ensure the acceptance process adequately addressed the needs of those firms.

2016 CPE Audit

- The 2016 CPE Audit concluded on November 30, 2016
- 202 Individuals were selected for the Audit
 - 182 Passed
 - 19 Failed
 - 1 Deceased

.....

- 176 Licensees
 - 158 Passed
 - 17 Failed
 - 2 Failed to Respond
 - 15 Failed to Complete CPE
 - 1 Deceased
- 26 Certificate holders
 - 24 Passed
 - 2 Failed to Complete CPE

Request Review Committee Report April 2017

Elizabeth Masnari, CPA, Chair

During the first quarter 2017, the Executive Director and a Consulting Board Member from the Request Review Committee took the following action:

Approved Firm Names:

NICHOLAS KNAPTON SPOKANE, P.S.
NICHOLAS KNAPTON SEATTLE, P.S
IMPETUS ACCOUNTING
MCCULLOCH ACCOUNTANCY CORPORATION
BELLTON CPA OFFICE, PLLC
LAURIE PARRISH CPA, PLLC
CPS FAMILY OFFICE SERVICES, PC
PLAN SERVICES, INC. PC
HAVE PENCIL, WILL TRAVEL

Professional/Educational Organization – Recognition Requests – During the 1st quarter in 2017, the Board did not receive any requests for recognition of an educational organization for purposes of obtaining list requests.

Domestic or International Education Credential Evaluation Services – Applications – During the 1st quarter in 2017, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

High Level Business Plan for Social Media

WA State Board of Accountancy

April 2017

Topic of thought - Impact on the Organization's Mission: What is the organizations mission; what impact will incorporating social media have on accomplishing our mission?

Goals for the WA State Board of Accountancy

- The Board's goal: **Be an influencer** with quality of content and avoid the white noise of click-bait.
- The Board's goal: **Build a community** by being engaging and approachable with informative material.
- The Board's goal: Continue to **be a leader** by providing the best customer service in the arena of Social Media.

Public records issues:

- **Policy Development – Required Components:**
 - Create an organizational policy about who can engage in social media on behalf of government (the Board)
 - Create an acceptable use policy for citizens or consumers
 - Create an internal use policy for employees and Board members
- **Government Responsibility - Freedom of Information Act (FOIA) & Public Records Requests (PRR)**
 - Public Records retention and disclosure
 - Social Media is a public forum - User posted content is protected by freedom of speech
 - Legal considerations - Work with Attorney General

Steps toward Implementation and Maintenance and Operations (M&O):

- Create Policies
- Create an entry in Facebook *Pages* for agency
- Make Quality of Content the goal over Quantity
- Pages managed by a *communications* subject matter expert (SME)
 - Connect and build a community with personalized content
 - Create content tied to organizational mission
 - Monitor and respond to posts
- Consolidate and disseminate information in response to public records requests (PRR)
- Manage applications associated with social media
- Expand influence

Costs and Staffing:

- ArchiveSocial (to meet FOIA) based on volume of use – most popular plan, \$4788.00 per year plus tax <http://archivesocial.com/> Increase costs on increased volume.
- One FTE - \$60,000.00 per year / partial
- Advertising – unknown at this time

1650 - State Board of Accountancy

Allotment Expenditure/Revenue BTDD Flexible

Report Number: AEF04

Biennium: 2017

As of Fiscal Month: Apr FY2

Date Run: Apr 1, 2017 10:01AM

Account: 02J

Allotment Content: Approved & Adjusted

Estimated Revenue Content: Approved & Adjusted

Transactions Through: Mar 31, 2017 8:00PM

Revenue Content: Cash, Acct(all)

Expenditure Content: Cash, Acct(all)

(For a complete listing of all input parameter values, please see the last page of the report)

	BTDD	BTDD	BTDD	BTDD	BTDD	BTDD	BTDD	Biennium
	Allotment	Disbursement	Accrual	Encumbrance	Variance	Remaining		
By Account/Expenditure Authority								
02J - Certified Public Accountants' Acct								
010 - SSB 5534 Certified Public Accounting	3,300,000	3,300,000.00	0.00	0.00	0.00	0.00	0.00	
030 - Salaries and Expenses	2,572,111	2,148,564.19	720.21	0.00	422,826.60	666,715.60	666,715.60	
02J - Certified Public Accountants' Acct	5,872,111	5,448,564.19	720.21	0.00	422,826.60	666,715.60	666,715.60	
Total for Agency	5,872,111	5,448,564.19	720.21	0.00	422,826.60	666,715.60	666,715.60	
By Account/Expenditure Authority								

By Object	BTDD	BTDD	BTDD	BTDD	BTDD	BTDD	BTDD	Biennium
	Allotment	Disbursement	Accrual	Encumbrance	Variance	Remaining		
A - Salaries and Wages	1,189,500	1,054,817.38	0.00	0.00	134,682.62	243,150.62	243,150.62	
B - Employee Benefits	420,782	369,192.03	0.00	0.00	51,589.97	90,586.97	90,586.97	
C - Professional Service Contracts	0	4,459.50	0.00	0.00	(4,459.50)	(4,459.50)	(4,459.50)	
E - Goods and Other Services	767,684	632,192.87	720.21	0.00	134,770.92	211,949.92	211,949.92	
G - Travel	117,545	56,958.04	0.00	0.00	60,586.96	71,231.96	71,231.96	
J - Capital Outlays	76,600	30,944.37	0.00	0.00	45,655.63	54,255.63	54,255.63	
M - Inter Agency/Fund Transfers	3,300,000	3,300,000.00	0.00	0.00	0.00	0.00	0.00	
Total for Agency	5,872,111	5,448,564.19	720.21	0.00	422,826.60	666,715.60	666,715.60	
By Object								

Fund

Balance As Of:	3/31/2017	Show Balances As Of:	03/31/2017
Book Balance:	2,557,323.85	<input type="button" value="Retrieve"/>	
Outstanding Warrants:	280.00		
Cash Balance:	2,557,603.85		

Fund Code:	02J
Fund Name:	CERTIFIED PUBLIC ACCOUNTANTS' ACCT
Fund Type:	SPECIAL REVENUE FUNDS (BA)
Treasury Type:	Treasury (1)
Budget Type:	Appropriated (A)
Roll-Up Fund:	CENTRAL ADMIN AND REGULATORY FUND (FBD)
Agency:	STATE BOARD OF ACCOUNTANCY (1650)
Statute:	18.04.105
GAAP Fund Type:	SPECIAL REVENUE FUNDS (B)
Active:	Active
DOT Fund:	No

Fund

Balance As Of:	3/31/2017	Show Balances As Of:	03/31/2017
Book Balance:	275,000.00	<input type="button" value="Retrieve"/>	
Outstanding Warrants:	0.00		
Cash Balance:	275,000.00		

Fund Code:	20D
Fund Name:	CPA SCHOLARSHIP TRANSFER ACCOUNT
Fund Type:	SPECIAL REVENUE FUNDS (BA)
Treasury Type:	Treasury Trust (2)
Budget Type:	Nonappropriated/Nonallotted (N)
Roll-Up Fund:	HIGHER EDUCATION FUND (FBG)
Agency:	STATE BOARD OF ACCOUNTANCY (1650)
Statute:	28B.123.050
GAAP Fund Type:	SPECIAL REVENUE FUNDS (B)
Active:	Active
DOT Fund:	No

Enforcement Report

Quarter Report (Jan 01, 2017 through Mar 31, 2017)

	Complaints	Investigations	Period Total
Ongoing at start of period	9	10	19
Received during period	9		9
Total	18	10	28
Complaints opened as investigations	(4)	4	
Total	14	14	28
Complaints Dismissed (Administrative)	0		0
Complaints Dismissed (investigated <= 180 days)	(10)		(10)
Complaints Dismissed (investigated > 180 days)	0		0
Total	4	14	18
Cases Dismissed (Administrative)		(1)	(1)
Cases Dismissed (investigated <= 180 days)		(2)	(2)
Cases Dismissed (investigated > 180 days)		0	0
Total	4	11	15
Cases Closed (Administrative)		(4)	(4)
Cases Closed (investigated <= 180)		(1)	(1)
Cases Closed (investigated > 180)		0	0
Total	4	6	10