

# Board of Accountancy

WASHINGTON STATE



## REGULAR BOARD MEETING AGENDA

**Date, Time:** Friday, January 27, 2017 – Regular Board Meeting – 9:00 a.m.

**Location:** Highline Community College  
Building 2  
2400 S 240<sup>th</sup> Street  
Des Moines, WA 98198  
(206) 878-3710

**Notices:** None

Chair Introductions

### REGULAR MEETING AGENDA

Attachments at tab:

1. Minutes – October 28, 2016, Annual Board Meeting.....A
2. Washington State Office of the Attorney General - State Action Training for Boards.....B
3. Delegations of Authority – Annual Review
  - a. Charges, Subpoenas, Negotiate Settlement - Amendment Proposed.....C
  - b. Administrative Notices of Non-Compliance/Administrative Sanctions.....D
  - c. CPE Waiver Extension Requests/Firm Names, Professional/Education Organizations Recognition Requests; Late Fee Waiver Requests; Domestic or Foreign Education Credential Evaluation Services/Appeal of Denials of Requests for Lists of Individuals .....E
  - d. Authority to Conduct Investigations.....F
  - e. Quality Assurance Review (QAR) Program Remedial Actions/Review of Publicly Available Professional Work .....G
4. Rules Review
  - a. WAC 4-30-051 What are the requirements concerning client records, including response to requests by clients and former clients for records? .....H  
AICPA Code Section 1.400.200 ..... I
  - b. WAC 4-30-132 What are the program standards for CPE?.....J  
Uniform Accountancy Act Model Rules..... K  
UAA Recommended Draft Model Rule for CPE Requirements..... L
5. Board Member Participation Summary .....M

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:

Kirsten Donovan, Washington State Board of Accountancy  
PO Box 9131, Olympia, WA 98507-9131  
Phone: 360-664-9191 Email: kirstend@cpaboard.wa.gov

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](http://www.washingtonrelay.com))

- 6. NASBA Update
- 7. Chair's Report
  - a. Discussion of WAC 4-30-050 and AICPA Code of Professional Conduct 1.400.205..... N
  - b. Board Communications
- 8. Committee/Task Force Reports
  - a. Executive – Thomas G. Neill, CPA, Chair - *Verbal Report*
  - b. Compliance Assurance Oversight – Karen R. Saunders, CPA, Chair – *No Report*
  - c. Legislative Review – Favian Valencia, Chair – *No Report*
  - d. Quality Assurance – Thomas G. Neill, CPA, Chair - *No Report*
  - 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 – *No Report*
  - h. Performance Review and Succession – Emily R. Rollins, CPA, Chair – *No Report*
  - i. Social Media – Favian Valencia, Chair – *Verbal Report*
  - j. WSCPA Education Fund – Elizabeth D. Masnari, CPA, Chair – *No Report*
- 9. Executive Director's Report
  - a. Establishing Priorities for Statute and Rule Changes for FY 18
  - b. Operational and IT Priorities – Management by Objective
  - c. Budget Status.....P
  - d. Enforcement Focus on Case Resolution – Fish or Cut Bait
  - e. Conversations with Washington Association of Accountants and Tax Preparers
  - f. WBOA Participation in Results Washington
- 10. Enforcement Report..... Q
- 11. Legal Counsel's Report
- 12. Executive and/or Closed Sessions with Legal Counsel
- 13. 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 an Annual Meeting of the Board – Unapproved Draft

<b>Time and Place of Meeting</b>	9:03 am – 11:42 am Friday, October 28, 2016 Washington State University - Pullman Compton Union Building Senate Room / Room 204 1500 NE Terrell Mall Pullman, WA 99163
<b>Attendance</b>	<u>Board Members</u> Thomas G. Neill, CPA, Chair, Board Member Elizabeth D. Masnari, CPA, Vice Chair, Board Member Karen R. Saunders, CPA, Board Member Favian Valencia, Public Member Rajib Doogar, Public Member Mark Hugh, CPA, Board Member Joel Cambern, Public Member  <u>Staff and Advisors</u> Charles E. Satterlund, CPA, Executive Director Bruce L. Turcott, Assistant Attorney General, Board Advisor Jennifer Sciba, Deputy Director Taylor Shahon, Lead Investigator Kirsten Donovan, Board Clerk
<b>Call to Order</b>	Board Chair, Tom Neill, called the annual meeting of the Board to order at 9:03 am.  The Board Chair excused the absences of Emily R. Rollins, CPA, Board Member, and James R. Ladd, CPA, Secretary, Board Member.
<b>Minutes – July 29, 2016 Regular Board Meeting</b>	The Board approved the minutes of the July 29, 2016, regular Board meeting as presented.
<b>Chair’s Report</b>	<u>Election of 2017 Officers –</u> The Chair presented the following slate of officers to serve during 2017: <ul style="list-style-type: none"><li>• Chair – Thomas G. Neill, CPA</li><li>• Vice Chair – Elizabeth D. Masnari, CPA</li><li>• Secretary – James R. Ladd, CPA</li></ul> No other nominations were made. The Board cast a unanimous vote for the slate of officers presented.

2017 Board Meeting Schedule – The Board established the following schedule for the 2017 Board meetings:

- January 27, 2017 – Highline Community College – Des Moines
- April 28, 2017 – Central Washington University - Ellensburg
- July 28, 2017 – State Capitol, Senate Hearing Room #3 - Olympia
- October 27, 2017 – University of Washington - Bothell

Committee Appointments for 2017 – The Board made the following committee appointments for 2017:

- Compliance Assurance Oversight Committee  
Chair:  
Karen R. Saunders, CPA
- Legislative Review Committee  
Chair:  
Favian Valencia, Public Member  
Member:  
Mark Hugh, CPA
- Quality Assurance Committee  
Chair:  
Thomas G. Neill, CPA  
Member:  
Joel Cambern, Public Member
- Request Review Committee  
Chair:  
Elizabeth D. Masnari, CPA  
Member:  
Karen R. Saunders, CPA
- State Ethics Compliance Committee  
Ethics Advisor:  
James R. Ladd, CPA
- Qualifications Committee:  
Chair:  
Emily R. Rollins, CPA  
Members:  
Elizabeth D. Masnari, CPA  
Rajib Doogar, Public Member

## Minutes, October 28, 2016, Annual Board Meeting

- Performance Review and Succession Committee  
Chair:  
Emily R. Rollins, CPA  
Member:  
Joel Cambern, Public Member
- Social Media Committee  
Chair:  
Favian Valencia, Public Member  
Member:  
Jennifer Sciba, Deputy Director
- WSCPA Education Fund Committee  
Chair:  
Elizabeth D. Masnari, CPA  
Member:  
Favian Valencia, Public Member

### Cross Border Initiative with Canada

The Board Chair reported that he, Board staff, NASBA, the AICPA, Canadian officials, and representatives from the Washington Society of CPAs (WSCPA) have been working closely on a cross border initiative regarding firm licensing. The review of the statutes and rules of both entities for obstacles has been the main focus. Another meeting is scheduled for next week in Austin at the NASBA annual meeting.

The Executive Director added that he has had a conversation with the Governor regarding this initiative as well.

### Discussion of WAC 4-30-051 and AICPA Code of Professional Conduct 1.400.200

The Board Chair led the discussion on the following items in the AICPA Code of Professional Conduct 1.400.200 as they relate to WAC 4-30-051:

- Definition of working papers
- Definition of electronic working papers
- 1.400.200.06 – providing records to other individuals associated with the client

He asked the Board Members to consider if they wish to revise WAC 4-30-051 to more closely reflect the definitions of the AICPA and to address the issue of providing records to other individuals associated with the client.

An agenda item for further discussion on this topic will be added to the January Board meeting.

RCW 18.04.295(5) – The Role of the Consulting Board Member (CBM) and Grounds for Discipline

This agenda item was tabled and may be added to a future meeting.

**NASBA Update**

Tom Neill reported on the following topics:

- Cross border work
- CPE standards

**NASBA and AICPA Revisions to the Statement on Standards for Continuing Professional Education (CPE) Programs (Standards)**

The Board Chair led the discussion on the revisions to the Standards and their relationship to Board Policy 2000-1, Continuing Professional Education and Licensing Requirements. The revisions to the Standards has caused Board Policy 2000-1 to no longer reflect the CPE requirements in Board Rule, WAC 4-30-132.

The Board voted unanimously to suspend Board Policy 2000-1.

WAC 4-30-132, What are the program standards for CPE, will be added as an agenda item to the January Board meeting. The Board will discuss possible revisions to the rule to more closely follow the revised Standards concerning nano-learning. Included in the discussion will be the UAA Model Rules concerning CPE.

**Executive Director's Report**

AICPA Peer Review Response Letter

The Executive Director presented a draft letter to the Board for approval for submission to the AICPA and NASBA.

The Board voted unanimously to approve the letter for submission as drafted.

Agency Enterprise Risk Management (ERM) Response to the Governor's Executive Order

The Executive Director advised that staff has already provided input regarding ERM. He will be sending information to the Board Members and request that they submit their input.

Strategic Plan – Agency Goals and Objectives

The Executive Director presented the 2017-2019 Biennium Strategic Plan to the Board. He asked that the Board Members review the plan and provide input.

Current Budget Report

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 September 30, 2016.

Cultural Competency Training

The Executive Director advised that Board staff will be attending Cultural Competency Training on February 28, 2017. He invited Board Members to attend if they are able. Board staff will provide more details to the Board Members by email.

**Conflicts of Interest  
Definition  
Discussion**

Rajib Doogar led the discussion on a definition of conflict of interest. His research included reviewing WAC 4-30-040 and 4-30-048 as related to conflicts of interest. Additionally he reviewed the Bar Association's definition, which he determined was not completely applicable to the Board's purposes.

Conflicts of interest are situational and hard to define. The Board decided that a definition would be too confining and not cover every situation.

Minutes, October 28, 2016, Annual Board Meeting

- Executive Committee** Tom Neill reported that he spoke with the Vice Chair and the Secretary by phone. He has no issues to report.
- 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 2016 QAR results.
- Request Review Committee** Elizabeth Masnari reported on the 3rd quarter 2016 approval and denials from the committee:

Firm Names: *Approved:*

- YK TAX & ACCOUNTING PLLC
- CHAIR SIX FINANCIAL PLANNING, PLLC
- (SN)2 LLC
- DOCTORS FINANCIAL SERVICES GROUP LLC
- THE COBALT GROUP INC
- NEW PARADIGM CFO, LLC
- BLUEBIRD, CPAS
- ACT RESOURCES, PLLC
- DN WEBB CPA
- GOODE CPA & ADVISORY OFFICE PC
- THE BEARDED CPA
- REDW LLC
- S D MAYER AND ASSOCIATES LLP
- NORTHWEST CPA SOLUTIONS LLC
- THOMAS SWANSON & ASSOCIATES, CPAS, PLLC

Professional/Educational Organization - Recognition Requests: During the 3<sup>rd</sup> quarter 2016, the Board did not receive any requests for recognition of an



educational organization for purposes of obtaining list requests.

Domestic or Foreign Education Credential Evaluation Services – Applications: During the 3<sup>rd</sup> quarter 2016, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

**State Ethics  
Compliance  
Committee**

Tom Neill reported for Jim Ladd on the state ethics compliance checklists which were completed by Board staff. No matters were reported that require further attention or action.

**Qualifications  
Committee**

Rajib Doogar reported that revisions to the education qualifications are being discussed. The committee is working closely with NASBA.

**Performance Review  
and Succession  
Committee**

Joel Cambern reported that the committee is working on revisions to the Executive Director Performance Evaluation.

**Social Media  
Committee**

Favian Valencia reported that he will have a report at the January Board meeting regarding an informational video for the Board website.

**WSCPA Education  
Fund**

Elizabeth Masnari presented the Projected Fund Balance – Washington State Certified Public Accounting Scholarship Program – for the Year Ending September 30, 2017.

**Legal Counsel's  
Report**

Bruce Turcott, the Board's legal counsel, had nothing to report. He did state that he has been working with the Board for ten years, originally as the Board's prosecuting Assistant Attorney General before taking on the role of the Board's legal advisor.

Rich Jones, CPA, President and CEO of the WSCPA, brought up the subject of indemnification of Board Members in light of the North Carolina Dental Board case. Bruce advised that training on the subject has been scheduled for the January Board meeting.

Minutes, October 28, 2016, Annual Board Meeting

**Investigation's Report**

Taylor Shahon presented the Enforcement Report for July 1, 2016 through September 30, 2016.

**Public Input**

The Board received input from Rich Jones of the WSCPA throughout the meeting.

Gary Bowe asked a multi-layered question regarding CPE. The Executive Director asked Gary to email the question to him so that he would be able to provide a more thorough response.

**Executive and/or Closed Sessions with Legal Counsel**

A closed session was held regarding adjudicative proceedings which are not subject to the Open Public Meeting Act under RCW 42.30.140(3).

**Adjournment**

The meeting adjourned at 11:42 am.

Minutes, October 28, 2016, Annual Board Meeting

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Secretary

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Chair

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Vice-Chair

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Member

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Member

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Member

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Member

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Member

# HOW TEETH WHITENING CHANGED THE LANDSCAPE OF STATE BOARD ACTIONS



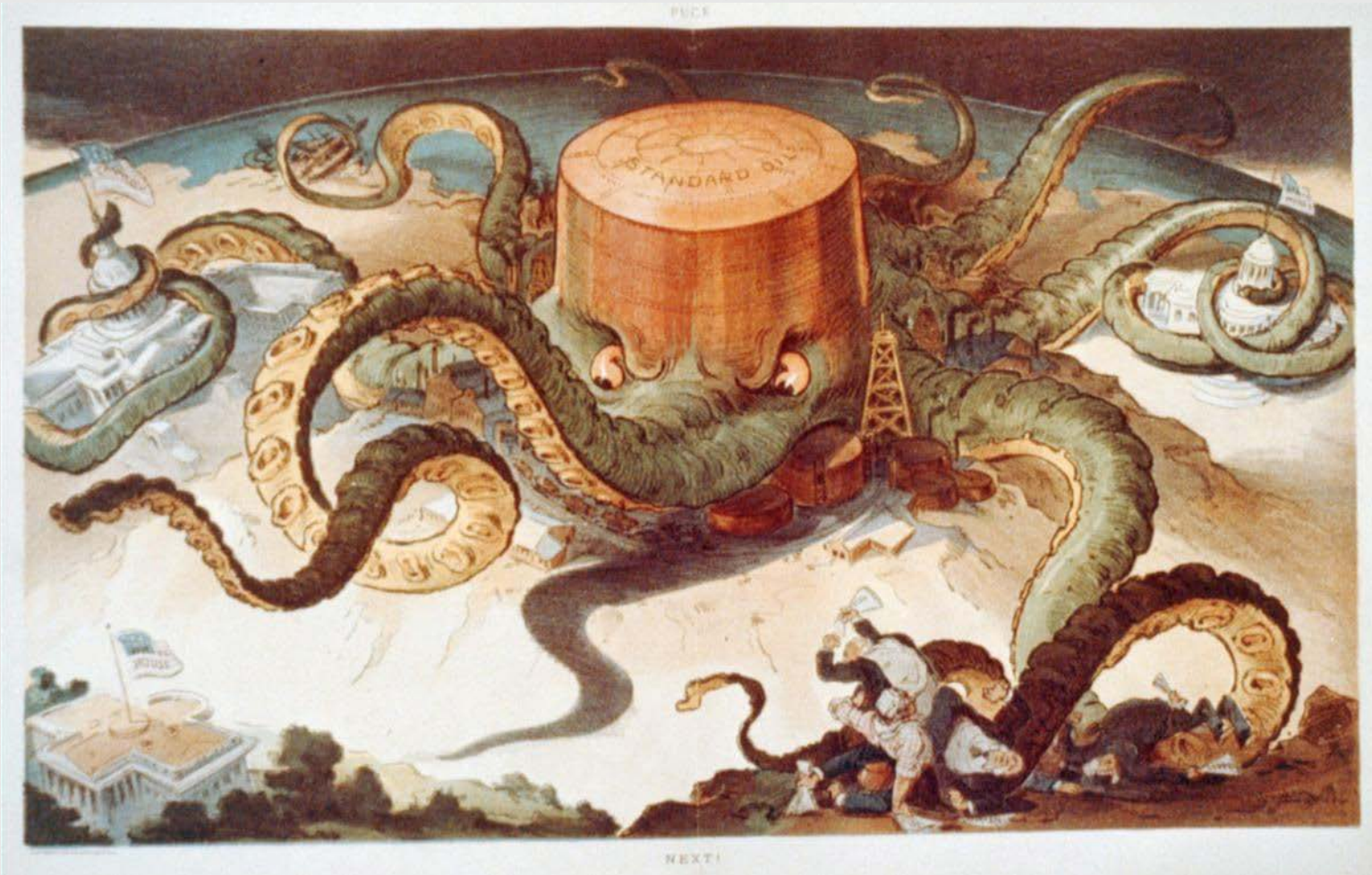
Prepared by the Washington State Attorney General's Office  
Last revised: September 2016

*North Carolina State Board of Dental  
Examiners  
v. Federal Trade Commission*



Decided February 25, 2015,  
by the United States Supreme Court

# Antitrust Background



# Antitrust 101



- ❧ Purpose: promoting robust competition
- ❧ Sherman Act prohibits:
  - ❧ cartels,
  - ❧ price fixing
  - ❧ practices that unreasonably restrain trade
- ❧ The antitrust laws target conduct which unfairly tends to destroy competition itself

# Per Se Violations



Certain acts are so harmful to competition that they are almost always illegal

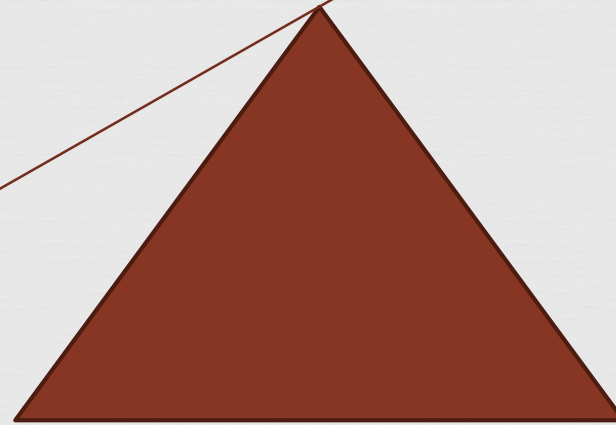


# Rule of Reason



Procompetitive  
Benefits

Anticompetitive  
Effects



Restraint on Trade

# State Action Exemption



- ❧ Sherman Act vs. state sovereignty
- ❧ 1943 U.S. Supreme Court *Parker* decision
- ❧ States allowed to restrain competition to promote other goals valued by citizens
- ❧ Antitrust lawsuits dismissed

# What About State Regulatory and Licensing Boards?



Q: Where a State authorizes regulatory and licensing boards to regulate their own professions, is there antitrust immunity?

A: “Not necessarily,” and especially not where the board is controlled by members of the profession it regulates

# The *NC Dental* Decision



# *NC Dental Facts*



## **The North Carolina Board of Dental Examiners**

- ❧ 6 of the 8 members were practicing dentists
- ❧ Decided that North Carolina's dental practice act permitted only dentists to whiten teeth
- ❧ Sent 47 cease-and-desist letters to non-dentist teeth whiteners warning them to stop "all activity constituting the practice of dentistry"

# *NC Dental Procedural* **History**

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- ❧ The **FTC** sued the dental board for antitrust violations
- ❧ The **Dental Board** tried to assert State Action immunity
- ❧ The **FTC** countered that
  - (1) industry participants controlled the board
  - (2) no real State involvement in the board's action

# Supreme Court Holding



- ⌘ A state board on which a controlling number of decision-makers are active market participants is exempt from antitrust liability *only* where it has:
  - ⌘ (1) acted in accordance with a clearly articulated state policy to allow the anti-competitive conduct; and
  - ⌘ (2) received active state supervision
- ⌘ Motion to dismiss denied

# Effect of the Decision



- ⌘ Tougher for boards made up of active market participants to have antitrust lawsuits dismissed early in litigation
- ⌘ But *no substantive change* to the underlying antitrust law standards



# *NC Dental Takeaway*



When a State empowers a group of active market participants to decide who can participate in its market and on what terms, active state supervision is required for antitrust exemption

# Invoking the State Action Exemption After *NC Dental*

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# Defining Active Market Participant



A member of the state regulatory board is an “active market participant” where:

- (1) the person is licensed by the board **OR**
- (2) provides a service that is subject to the regulatory authority of the board.

# Defining Active Supervision



- ❧ Review **substance** of anticompetitive decision and compare to state policy
- ❧ **Power to veto** or modify particular decisions of the board to ensure they accord with state policy
- ❧ Active Supervisor  $\neq$  a market participant

# What Is Not Active Supervision?

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- ❧ A state attorney general or other state official providing advice to a board
- ❧ Approving actions that comply with procedural requirements of the APA
- ❧ No authority to disapprove anticompetitive acts that fail to accord with state policy
- ❧ Mere potential for supervision not enough

# FTC Guidelines for Active Supervision



The supervisor should:

- ❧ **Review the record** created by the board and supplement if necessary
- ❧ **De novo review** of the substantive merits of the proposed board decision with respect to state policies
- ❧ **Written decision** approving, modifying or vetoing the proposed action

# Don't Forget About Clear Articulation



- ❧ The clear articulation standard existed before *NC Dental* and was not the focus of decision
- ❧ Anticompetitive conduct must be a **foreseeable result** of state law authorizing the licensing or regulatory board's action
- ❧ Active supervision required to make sure board's action is consistent with clearly articulated State policy to displace competition



# What Does This Mean for Licensing and Regulatory Boards?



# Pay Attention to Competitive Effects

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Pay attention to possibility of anti-competitive effects when an act, rule, regulation, or policy falls into one or more of the following categories:

- ❧ Actions affecting scope of practice;
- ❧ Requirements for licensure, especially requirements designed to limit new entrants to the market;
- ❧ Price regulations;
- ❧ Restrictions on advertising or soliciting of customers;  
or
- ❧ Restrictions on market participation (dealing with non-licensees)

# Watch Out!



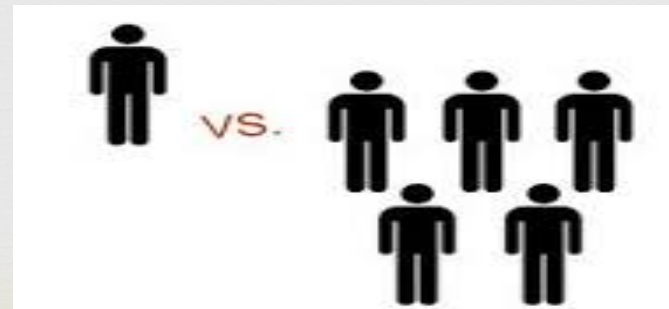
- ❧ A regulatory board controlled by dentists excludes non-dentists from competing with dentists to provide teeth-whitening services
- ❧ A regulatory board controlled by accountants restricts the number of licenses that can be issued to a small and fixed number
- ❧ A regulatory board controlled by attorneys adopts a regulation that prohibits attorney advertising or deters attorneys from engaging in price competition.

# In the clear



Reasonable restraints on competition do not violate the antitrust laws, even where they injure the economic interests of a competitor:

- ❧ *E.g.*, prohibiting fraudulent business practices
- ❧ Suspending the license of one competitor in a market with hundreds of service providers
- ❧ But pay attention to enforcement actions affecting multiple licensees.



# Still in the clear



The ministerial (non-discretionary) acts of a regulatory board engaged in good faith implementation of an anticompetitive statutory regime do not give rise to antitrust liability:

- ❧ For example, a board may decline to issue a license to an applicant who fails to submit the materials required by the statute.

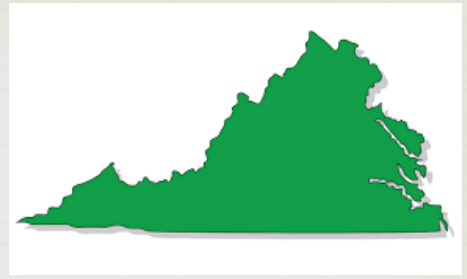
# Still in the clear x 2



The initiation and prosecution of a lawsuit by a regulatory board does not give rise to antitrust liability

☞ *E.g.*, a lawsuit against a particular individual who is practicing without a license where a state statute authorizes the board to stop an unlicensed person from practicing

# Real-World Examples: Virginia



- ❧ Chiropractor vs. Medical Board (controlled by medical physicians)
- ❧ **Individual Chiropractor** alleged conspiracy to improperly interpret Virginia statutes defining scope of chiropractic care to stifle competition
- ❧ No **State Action** exemption because no active supervision
- ❧ But board won on the merits – **disciplinary action taken against single licensee did not harm competition**

# Real-World Examples: Texas

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- ⌘ Allegation: standard of care rules limited competition from telehealth providers
- ⌘ Board members sued in official capacity and as individual market participants (individuals later dismissed)
- ⌘ Trial court denied motion to dismiss: no active supervision
- ⌘ **“Clear articulation” element was satisfied** since the Texas Medical Practices Act authorizes the medical board to displace competition by regulating telemedicine

# Actions, Defense, Costs & Judgment



- ❧ Stymied competitors vs. board members in their individual capacities
- ❧ AG defends board members sued in their individual capacity
  - ❧ if acts or omissions were **within the scope of the board member's official duties, or**
  - ❧ where the board member had a **good faith belief** that the acts or omissions were within the scope of official duties;



# So now what?



- ❧ Evaluate competitive effects
- ❧ Avoid anti-competitive actions
- ❧ Stay within the bounds of the regulatory authority delegated by the legislature
- ❧ Prepare for a potential increase in antitrust claims in response to board actions
- ❧ Legislative solution? More active supervision?

# Contact Information:

Please contact the Assistant Attorney General for your Board



General questions may be directed to the Antitrust Division:

Justin Wade

[Justinw@atg.wa.gov](mailto:Justinw@atg.wa.gov)

Jonathan Mark

[JonathanM2@atg.wa.gov](mailto:JonathanM2@atg.wa.gov)

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# DELEGATION OF AUTHORITY BY THE WASHINGTON STATE BOARD OF ACCOUNTANCY

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I, THOMAS G. NEILL, Chair of the Washington State Board of Accountancy (“Board”), acting under authorization by a vote of the Board, delegate to the Executive Director for the Board, the specific authority to:

- (a) **sign, issue, and withdraw Statements of Charges and/or Statements of Intent to Deny that seek to suspend, revoke, reprimand, refuse to issue, reinstate, or renew a certificate or license, or otherwise discipline or impose a fine upon a certified public accountant, a certificate holder, a licensee, a licensed firm, an applicant, or a nonlicensee holding an ownership interest in a licensed firm; and**
- (b) **make application to the appropriate court for an order enjoining any acts or practices which constitute, or will constitute, a violation of Chapter 18.04 RCW pursuant to RCW 18.04.360; to temporarily stay the practice rights or use of the restricted title by an order signed by the Executive Director initiating an emergency adjudicative proceeding pursuant to RCW 34.05.479 in situations requiring immediate agency action due to an immediate danger to the public health, safety, or welfare; and**
- (c) in making investigations concerning alleged violations of RCW 18.04 and in all proceedings under RCW 18.04.295, 18.04.305, or chapter 34.05 RCW, to issue subpoenas to compel the attendance of witnesses and require the production of documents, administer oaths or affirmations to witnesses appearing before the Board, take testimony, and require that documentary evidence be submitted; and
- (d) negotiate settlement proposals during investigations of alleged violations of RCW 18.04 or Board rules Title 4 WAC and in all proceedings under RCW 18.04.295, 18.04.305, or Chapter 34.05 RCW. Such proposals are subject to concurrence by a consulting Board member prior to submission to the Board for consideration.

This delegation is made pursuant to the authority of RCW 18.04.045, 18.04.295, and 18.04.305.

DATED this 29<sup>th</sup> day of JANUARY 2016.

  
**Thomas G. Neill, CPA**  
Chair, Washington State Board of Accountancy

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**DELEGATION OF AUTHORITY  
BY THE  
WASHINGTON STATE BOARD OF ACCOUNTANCY**

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I, THOMAS G. NEILL, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a vote of the Board, delegate to the Executive Director the specific authority to:

Issue Administrative Notices of Noncompliance and execute Respondent Agreements Consenting to Administrative Sanctions including monetary sanctions in accordance with the guidelines in Board Policy 2004-1.

This delegation is made pursuant to the authority of RCW 18.04.045, RCW 18.04.305, and RCW 18.04.295.

DATED this 12th day of February 2016.

  
**Thomas G. Neill, CPA**  
Chair, Washington State Board of Accountancy

Effective: April 28, 2006

Revised: Delegation Revised and Appendix Removed: February 12, 2016 by Board vote  
Delegation and Appendix A Revised: April 23, 2013, by Board vote  
Delegation and Appendix A Revised: January 26, 2012, by Board vote  
Appendix A Revised: July 14, 2011, by Board vote

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# DELEGATION OF AUTHORITY BY THE WASHINGTON STATE BOARD OF ACCOUNTANCY

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I, THOMAS G. NEILL, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a vote of the Board, delegate the following specific authority:

1. CPE Waiver Extension Requests – To the Executive Director the specific authority to review, approve or deny Continuing Professional Education (CPE) waiver extension requests where individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment, results in a CPE deficiency of not more than 16 CPE credit hours pursuant to applicable section(s) of Title 4 WAC.
2. Request Review Committee - To the Executive Director with concurrence of one member of the Request Review Committee, the specific authority to review and approve or deny:
  - a) **Continuing Professional Education (CPE) Waiver Extension Requests** where individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment, results in a licensee CPE deficiency of more than 16 CPE credit hours pursuant to applicable section(s) of Title 4 WAC.
  - b) **Firm Names** that do not comply with the requirements of RCW 18.04.345 and applicable section(s) of Title 4 WAC to ensure the Board that the firm name is not deceptive or misleading.
  - c) **Professional/Education Organizations Recognition Requests** for purposes of obtaining lists of individual applicants for a license of “Certified Public Accountant” (CPA), individual CPA licensees, individual CPA-Inactive certificateholders, or CPA firms pursuant to RCW 42.56.070(9) and applicable section(s) of Title 4 WAC.
  - d) **Late Fee Waiver Requests** where individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment is a factor pursuant to applicable section(s) of Title 4 WAC.
  - e) **Domestic or foreign education credential evaluation services** applications for approval pursuant to applicable section(s) of Title 4 WAC.
3. Appeal of Denials of Requests for Lists of Individuals – To one member of the Request Review Committee not involved in the review of the original request under delegation 2(c) of this delegation, the specific authority to review and uphold or overturn denials of requests for list of individuals pursuant to RCW 42.56.520. This Request Review Committee member shall complete the review by the end of the second business day following the denial. The Committee member’s decision is the final action the Board will take on the matter for purposes of judicial review.

This delegation shall remain in effect until rescinded or modified by a majority vote of the Washington State Board of Accountancy.

The Executive Director will report all actions taken pursuant to this delegation of authority at each regular quarterly Board meeting to assist the Board in evaluating whether this delegation should be rescinded or modified.

This delegation is made pursuant to the authority of RCW 18.04.045 and 42.56.070(9).

DATED this 29<sup>th</sup> day of JANUARY 2016.



**Thomas G. Neill, CPA**  
Chair, Washington State Board of Accountancy

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**DELEGATION OF AUTHORITY  
BY THE  
WASHINGTON STATE BOARD OF ACCOUNTANCY**

**Delegation Number:** D-201

**Dated:** January 29, 2016

**Delegation For:** Authority to Conduct Investigations\*

**Delegation To:** Director of Investigations

**Approved:** Thomas G. Neill, CPA  
Thomas G. Neill, CPA  
Chair

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I, THOMAS G. NEILL, Chair of the Washington State Board of Accountancy (“Board”), acting under authorization of a vote of the Board, delegate to the Director of Investigations, the specific authority to:

Conduct investigations concerning alleged violations of the provisions of chapter 18.04 RCW and Title 4 WAC as directed by the Executive Director of the Washington State Board of Accountancy. This also includes specific authority to administer oaths or affirmations to witnesses, subpoena witnesses and compel their attendance, take testimony, and to require that documentary evidence be submitted in the course of the investigation of alleged violations of chapter 18.04 RCW and Title 4 WAC.

This delegation does not include the authority to extend confidentiality to any testimony or evidence.

This delegation shall remain in effect for so long as the Executive Director has designated a Director of Investigations for the Washington State Board of Accountancy to exercise this authority, and through any necessary testimony at administrative hearings, should same be held.

In the event that the Executive Director is recused or otherwise unable to exercise responsibility for investigations, enforcement, and settlement, the Board delegates authority to the Director of Investigations to assume those responsibilities including the authority to:

- (a) Sign, issue, and withdraw Statements of Charges and/or Statements of Intent to Deny that seek to suspend, revoke, reprimand, refuse to issue, reinstate, or renew a certificate or license, or otherwise discipline or impose a fine upon a certified

- public accountant, a certificate holder, a licensee, a licensed firm, an applicant, or a nonlicensee holding an ownership interest in a licensed firm; and
- (b) Negotiate settlement proposals during investigations of alleged violations of RCW 18.04 or Board rules Title 4 WAC and in all proceedings under RCW 18.04.295, 18.04.305, or chapter 34.05 RCW. Such proposals are subject to concurrence by a consulting Board member prior to submission to the Board for consideration. Settlement proposals negotiated under this authority are not binding on the Board or respondent until the settlement is accepted by a quorum vote of the Board.
  - (c) Issue Administrative Notices of Noncompliance and execute Respondent Agreements Consenting to Administrative Sanctions including monetary sanctions in accordance with the Board's delegation to the Executive Director.

This delegation and its subparts are made pursuant to the authority of RCW 18.04.045, 18.04.295 and 18.04.305.



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# DELEGATION OF AUTHORITY BY THE WASHINGTON STATE BOARD OF ACCOUNTANCY

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I, THOMAS G. NEILL, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a vote of the Board, delegate the following specific authority:

1. **Quality Assurance Oversight** - To the Executive Director, with concurrence of one member of the Board’s Quality Assurance Committee, the specific authority to take those actions deemed appropriate pursuant to the applicable section(s) of Title 4 WAC for any CPA firm:
  - That has unresolved matters relating to the peer review process or that has not complied with, or acted in disregard of the peer review requirements; and
  - When issues with a peer review may warrant further action.

To implement this delegation, the Executive Director may execute Respondent Agreements including one or any combination of the actions deemed appropriate after concurrence of the member of the Board’s Quality Assurance Committee. These actions may include requiring the firm/practitioner to:

- Develop and implement quality control procedures to provide reasonable assurance that similar occurrences will not occur in the future;
- Engage a Board-approved licensee to conduct a Board-prescribed on-site field review of the firm’s work product and practices to provide a more in-depth review of the practitioner’s work, previously taken continuing professional education, library and other practice support tools, knowledge, abilities, and system of quality control;
- Submit all or specified categories of its compilation, audit, review, or other attest working papers and reports to a preapproved independent practitioner review prior to issuance; and/or
- Obtain continuing education courses in specific areas.

Uncooperative CPA firms or CPA firms requiring more than one oversight will be subject to investigation and appropriate Board action.

*This delegation does not include matters that require Board action such as acceptance of voluntary practice restriction.*


2. **Review of Publicly Available Professional Work** – To the Executive Director the specific authority to review publicly available professional work of licensees pursuant to RCW 18.04.045(8) and the applicable section of Title 4 WAC.

This delegation shall remain in effect until rescinded or modified by a majority vote of the Washington State Board of Accountancy.

*The Executive Director will report all actions taken pursuant to this delegation of authority at each regular quarterly Board meeting to assist the Board in evaluating whether this delegation should be rescinded or modified.*

This delegation is made pursuant to the authority of RCW 18.04.045.

DATED this 29<sup>th</sup> day of JANUARY 2016.

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**Thomas G. Neill, CPA**  
Chair, Washington State Board of Accountancy

## 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.

[Statutory Authority: RCW **18.04.055**(2), **18.04.390** (4)(b), and **18.04.405**(1). WSR 11-06-062, § 4-30-051, filed 3/2/11, effective 4/2/11.]

## 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.

## WAC 4-30-132

### What are the program standards for CPE?

(1) **Qualifying program:** A program qualifies as acceptable CPE for purposes of RCW **18.04.215(5)** if it is a formal program of learning which contributes to the CPA's professional knowledge and competence. A formal program means:

- The program is at least fifty minutes in length;
- Attendance is recorded;
- Participants sign in to confirm attendance and, if the program is greater than four credit hours, participants sign out during the last hour of the program; and
- Attendees are provided a certificate of completion.

(2) **Undergraduate and graduate courses:** A graduate or undergraduate course qualifies for CPE credit if it meets the standards in subsections (1) and (5) of this section. For both undergraduate and graduate courses one quarter credit equals 10 CPE credit hours and one semester credit equals 15 CPE credit hours.

(3) **Committee meetings:** Generally, CPE credit is not allowed for attending committee meetings. A meeting qualifies for CPE credit only if it meets the standards in subsections (1) and (5) of this section.

(4) **CPE credit hours for volunteer service on the board and its committees and volunteer service on board approved peer review committees:** You may receive up to sixty-four hours of technical CPE credit each calendar year for actual time spent on board, board committee, or board approved peer review committee activities including actual time you spend preparing for committee meetings.

(5) **Subject areas:** Programs dealing with the following general subject areas are acceptable so long as they meet the standards in subsection (1) of this section:

(a) **Technical subjects include:**

- (i) Auditing standards or procedures;
- (ii) Compilation and review of financial statements;
- (iii) Financial statement preparation and disclosures;
- (iv) Attestation standards and procedures;
- (v) Projection and forecast standards or procedures;
- (vi) Accounting and auditing;
- (vii) Management advisory services;
- (viii) Personal financial planning;
- (ix) Taxation;
- (x) Management information services;
- (xi) Budgeting and cost analysis;
- (xii) Asset management;
- (xiii) Professional ethics (other than those programs used to satisfy the requirements of WAC 4-30-134(3));
- (xiv) Specialized areas of industry;
- (xv) Human resource management;
- (xvi) Economics;
- (xvii) Business law;
- (xviii) Mathematics, statistics, and quantitative applications in business;
- (xix) Business management and organization;



(xx) General computer skills, computer software training, information technology planning and management; and

(xxi) Negotiation or dispute resolution courses;

**(b) Nontechnical subjects include:**

(i) Communication skills;

(ii) Interpersonal management skills;

(iii) Leadership and personal development skills;

(iv) Client and public relations;

(v) Practice development;

(vi) Motivational and behavioral courses; and

(vii) Speed reading and memory building.

Subjects other than those listed above may be acceptable provided you can demonstrate they contribute to your professional competence. You are solely responsible for demonstrating that a particular program contributes to your professional competency.

**(6) Group programs:** You may claim CPE credit for group programs such as the following so long as the program meets the standards in subsections (1) and (5) of this section:

(a) Professional education and development programs of national, state, and local accounting organizations;

(b) Technical sessions at meetings of national, state, and local accounting organizations and their chapters;

(c) Formal in-firm education programs;

(d) Programs of other organizations (accounting, industrial, professional, etc.);

(e) Dinner, luncheon, and breakfast meetings which are structured as formal educational programs;

(f) Firm meetings for staff and/or management groups structured as formal education programs. Portions of such meetings devoted to communication and application of general professional policy or procedure may qualify, but portions devoted to firm administrative, financial and operating matters generally will not qualify.

**(7) CPE credit:** CPE credit is allowable only for those programs taken in time periods after the first CPA license is issued pursuant to the authority of the board under chapter **18.04** RCW. Credit is not allowed for programs taken to prepare an applicant for the ethics examination as a requirement for initial licensure. CPE credit is given in half-hour increments only after the first full CPE credit hour has been earned. A minimum of fifty minutes constitutes one CPE credit hour and, after the first fifty-minute segment has been earned, twenty-five minutes constitutes one-half CPE credit hour. For example:

- Twenty-five minutes of continuous instruction counts as zero CPE credit hour if that instruction is the first CPE course taken;
- Fifty minutes of continuous instruction counts as one CPE credit hour; and
- Seventy-five minutes of continuous instruction counts as one and one-half CPE credit hours.

Attendees obtain CPE credit only for time spent in instruction; no credit is allowed for preparation time unless the attendee is the discussion leader for the particular CPE segment or program.

**(8) Self-study programs:** Credit for self-study programs is allowed for reporting purposes on the date you completed the program as established by the evidence of completion provided by the program sponsor.

(a) **Interactive self-study programs:** Interactive means electronic or other delivery formats for delivery of CPE in which feedback is provided during the study of the material in a manner to validate the individual's understanding of the material. The amount of credit allowed for interactive self-study is that which is recommended by the program sponsor on the basis of the average completion time under appropriate "field tests." In order to claim CPE credit for interactive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor. Self-study CPE courses registered with the National Association of State Boards of Accountancy (NASBA) as a Quality Assurance Service (QAS) sponsor may be accepted as interactive.

(b) **Noninteractive self-study programs:** The amount of credit allowed for noninteractive self-study is one-half the average completion time as determined by the program sponsor on the basis of appropriate "field tests." To claim CPE credit for noninteractive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor.

(9) **Instructor, discussion leader, or speaker:** If you serve as an instructor, discussion leader or speaker at a program which meets the standards in subsections (1) and (5) of this section, the first time you present the program you may claim CPE credit for both preparation and presentation time. One hour of credit is allowed for each fifty minutes of instruction. Additionally, you may claim credit for actual preparation time up to two times the presentation hours. No credit is allowed for subsequent presentations. A maximum of seventy-two CPE credit hours are allowed for preparation and presentation during each CPE reporting period.

(10) **Published articles, books:** You may claim CPE credit for published articles and books, provided they contribute to your professional competence. Credit for preparation of such publications may be claimed on a self-declaration basis for up to thirty hours in a CPE reporting period. In exceptional circumstances, you may request additional credit by submitting the article(s) or book(s) to the board with an explanation of the circumstances that justify a greater credit. The amount of credit awarded for a given publication will be determined by the board.

(11) **Carry-forward:** CPE credit hours you complete during one CPE reporting period cannot be carried forward to the next period.

(12) **Carry-back:** As specified in WAC 4-30-134(8), CPE credit hours you complete during one CPE reporting period can be carried back to the previous reporting period only after the board has approved your extension request or has required the carry-back as part of sanctions for failure to complete required CPE.

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

[Statutory Authority: RCW 18.04.055(7) and 18.04.215(5). WSR 12-17-053, § 4-30-132, filed 8/10/12, effective 9/10/12. WSR 10-24-009, amended and recodified as § 4-30-132, filed 11/18/10, effective 12/19/10. Statutory Authority: RCW 18.04.055(7) and 18.04.215. WSR 09-17-044, § 4-25-831, filed 8/11/09, effective 9/11/09. Statutory Authority: RCW 18.04.055(7), 18.04.215(5). WSR 05-01-137, § 4-25-831, filed 12/16/04, effective 1/31/05; WSR 01-22-036, § 4-25-831, filed 10/30/01, effective 12/1/01. Statutory Authority: RCW 18.04.055 and 18.04.105(8). WSR 99-23-046, § 4-25-831, filed 11/15/99, effective 1/1/00.]



**May 2014**

# **Uniform Accountancy Act Model Rules**

**Published by the  
National Association of State Boards of Accountancy  
150 4th Avenue North, Nashville, TN 37219-2417**

**UNIFORM ACCOUNTANCY ACT RULES (Rules)**

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# Uniform

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# Accountancy

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# Rules

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**National Association of State Boards of Accountancy**

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*August 2011*

## **Introductory Comments**

**These Uniform Accountancy Rules (“Rules”) have been prepared by the National Association of State Boards of Accountancy (“NASBA”) as part of its continuing effort to update and promote uniformity in the regulatory schemes governing the practice of accountancy in the various jurisdictions.**

**These Rules are keyed to the Uniform Accountancy Act (“Uniform Act”) – Sixth Edition in several respects. Like most rules of administrative agencies they are intended in a general sense to implement or to explain specific statutory provisions governing the operations of the agency concerned; thus, in those cases where it appears appropriate for a Rule to contain a reference to a statutory provision, the reference provided in these Rules is to a provision of the Uniform Act. The organizing pattern of the Rules also reflects that of the Uniform Act: the numbered Articles under which the Rules are grouped correspond to section numbers in the Uniform Act.**

**The Rules are not intended to depend entirely upon the Uniform Act, or to be suitable for adoption only in jurisdictions where the accountancy law corresponds to the Uniform Act. Where the law that is in force varies from the Uniform Act, modifications may be necessary to adapt the Rules to the pertinent statute.**

## **Preamble**

**These Rules are adopted by the \_\_\_\_\_ Board of Accountancy, pursuant to its authority under the [Public] Accountancy Act of 20\_\_\_. Their purpose is to promote and protect the public interest by implementing the provisions of that Act, which provide for the issuance and renewal of certificates as certified public accountants; the renewal of registrations to public accountants; the issuance and renewal of permits to firms; and the regulation of licensees, all to enhance the reliability of information which is used for guidance in financial transactions or accounting for or assessing the financial status or performance of commercial, noncommercial and governmental enterprises.**



**ARTICLE 3  
DEFINITIONS**

**Rule 3-1 - Terms used in these rules.**

For purposes of these Rules the following terms have the meanings indicated:

- (a) “Act” means the [Public] Accountancy Act of \_\_\_\_\_, \_\_\_\_\_  
[statutory reference].
- (b) “Financial statements” means statements and footnotes related thereto that undertake to present an actual or anticipated financial position as of a point in time, or results of operations, cash flow, or changes in financial position for a period of time, in conformity with generally accepted accounting principles or another comprehensive basis of accounting. The term does not include incidental financial data included in management advisory service reports to support recommendations to a client; nor does it include tax returns and supporting schedules.
- (c) For purposes of the definition of “attest” as provided in Section 3(b)(1) of the Act, the Board adopts and incorporates by reference the AICPA’s Statements on Auditing Standards (SAS) as they existed as of [*insert either the effective date of your state’s legislation adopting the current definition of “attest,” or a date after 1997 and before June 15, 2011*].

**Rule 3-2 – Agreed upon procedure.**

An “agreed-upon procedures engagement” is one which is to be performed in accordance with applicable attestation standards and is one in which a Licensee is engaged to issue a written finding(s) that (i) is based on specific procedures that the specified parties agree are sufficient for their purposes, (ii) is restricted to the specified parties, and (iii) does not provide an opinion or negative assurance.

**Rule 3-3 - Audit.**

“Audit” means the procedures performed in accordance with applicable auditing standards for the purpose of expressing or disclaiming an opinion on the fairness with which the historical financial information is presented in conformity with generally accepted accounting principles, another comprehensive basis of accounting, or basis of accounting described in the report.

**Rule 3-4 – Professional engagement.**

"Professional engagement" means an agreement between a client and a licensee relative to the performance of professional services and the services performed under this agreement.

**ARTICLE 4  
STATE BOARD OF ACCOUNTANCY**

**Rule 4-1 - Board meetings.**

The Board shall meet at least \_\_\_ times each year. The chair or a quorum of the Board shall have the authority to call meetings of the Board. The Board shall follow and apply the rules of procedure, \_\_\_\_\_ [statutory reference], as regards notice and conduct of meetings.

**Rule 4-2 - Election and tenure of officers.**

The Board shall elect annually from among its members a chair, a vice-chair, and such other officers as the Board may require. The officers shall assume the duties of their respective offices at the conclusion of the meeting at which they were elected. They shall serve a term of one year, but shall be eligible for reelection.

**Rule 4-3 - Duties of officers.**

The chair or, in the event of the chair's absence or inability to act, the vice-chair shall preside at all meetings of the Board. The Board shall determine other duties of the officers.

**Rule 4-4 - Fees.**

Fees charged by the Board shall be as follows:

- |     |                                                                              |         |
|-----|------------------------------------------------------------------------------|---------|
| (a) | Examination applications                                                     | \$_____ |
| (b) | Administration of examination, per section                                   | \$_____ |
| (c) | Initial issuance of certificate                                              | \$_____ |
| (d) | Renewal of certificate or registration                                       | \$_____ |
| (e) | Initial firm permits                                                         | \$_____ |
| (f) | Renewal of firm permits, except for sole practitioners                       | \$_____ |
| (g) | Renewal of firm permits for sole practitioners                               | \$_____ |
| (h) | Delinquency fee for permit, certificate or registration renewal applications | \$_____ |
| (i) | Copies of records, per page                                                  | \$_____ |

- (j) Applications for reinstatement \$ \_\_\_\_\_
- (k) Annual reports of the Board, per copy \$ \_\_\_\_\_
- (l) Other fees (The Board may charge other fees as required) \$ \_\_\_\_\_

**Rule 4-5 - Obligation of licensees to notify the Board of changes of address and other information.**

Each licensee shall notify the Board in writing within thirty (30) days of any change of address or, in the case of individual licensees, change of employment.

**Rule 4-6 - Communications.**

A licensee or anyone using practice privileges pursuant to Sections 7 or 23 of the Act shall respond in writing to any registered or certified communication from the Board requesting a response. Unless otherwise specified in the Board's communication, the response must be sent within thirty (30) days of the date of such communication.

**ARTICLE 5  
CERTIFIED PUBLIC ACCOUNTANTS**

**Rule 5-1 - Education requirements – definitions.**

- (a) **“Semester credit hour” (SCH) means the conventional college semester credit hour. “Quarter credit hours” may be converted to semester credit hours by multiplying them by two-thirds; i.e., one quarter credit hour equals two-thirds of a semester credit hour.**
- (b) **“College(s) or university(s)” means board-recognized institution(s) of higher education accredited by generally recognized accrediting organizations.**
- (c) **“Accreditation” reflects the quality control of the education process provided by generally recognized regional and/or national accreditation organizations. These Rules refer to three levels of accreditation. Level 1 represents the most comprehensive review at the accounting program level and Level 3 is the least comprehensive review at the college or university level. Colleges or universities without accreditation, as defined below, would generally lack any level of accreditation including the college or university, the business school or program (“business school”), and/or the accounting department or program (“accounting program”).**
  - (1) **Level 1 accreditation – the accounting program. In a Level 1 accreditation, the college or university, business school, and the accounting program are separately accredited. This level applies to an accounting program that is accredited by an organization recognized by the Council for Higher Education Accreditation (CHEA) as a specialized or professional accrediting organization, such as the Association to Advance Collegiate Schools of Business-International (AACSB). Accredited accounting programs have met standards substantially higher and much more specific than those required for Level 2 or Level 3 accreditation.**
  - (2) **Level 2 accreditation – the business school. In a Level 2 accreditation, the college or university and the business school are accredited, but the accounting program is not separately accredited. This level applies to a business school that is accredited by an organization recognized by the Council for Higher Education Accreditation (CHEA) as a specialized or professional accrediting organization, such as the AACSB or the Association of Collegiate Business Schools and Programs (ACBSP).**
  - (3) **Level 3 accreditation – the college or university. In a Level 3 accreditation, the college or university is accredited, but neither the business school nor the accounting program meet Level 1 or Level 2 accreditation requirements. This level applies to a degree-granting college or university that is not accredited at Level 1 or Level 2, but is accredited by an organization currently recognized by the Council for Higher Education Accreditation as a regional accrediting**

**organization, such as Middle States Association of Colleges and Schools, New England Association of Schools and Colleges Commission on Colleges or Universities of Higher Education, North Central Association of Colleges and Schools-The Higher Learning Commission, Northwest Commission on Colleges and Universities, Southern Association of Colleges and Schools Commission on Colleges, and Western Association of Schools and Colleges Accrediting Commission for Senior Colleges and Universities.**

- (4) College or university without accreditation – an educational institution or entity that does not have an accreditation of either the college or university, business school, or accounting program; or a college or university accredited by organizations not recognized by the Board.**
- (d) “Integration of subject matter” means a program of learning where certain subjects, which may be discrete courses in some colleges or universities, are integrated or embedded within related courses. Colleges or universities that use an integrated approach to cover such multiple course subjects should provide evidence of the required coverage pursuant to Rule 5-2(d). Acceptance of integration of any subject matter requires Board approval.**
- (e) “Ethics” means a program of learning that provides students with a framework of ethical reasoning, professional values and attitudes for exercising professional skepticism and other behavior that is in the best interest of the public and profession. At a minimum, an ethics program should provide a foundation for ethical reasoning and the core values of integrity, objectivity and independence.**
- (f) “Internship” means faculty approved and appropriately supervised short-term work experience, usually related to a student’s major field of study, for which the student earns academic credit.**
- (g) “Independent study” means academic work selected or designed by the student with the approval of the appropriate department of a college or university under faculty supervision. This work typically occurs outside of the regular classroom structure.**

**Rule 5-2 - Education requirements - determining compliance of the applicant’s education.**

- (a) These requirements are intended to provide a foundation in accounting and business course subjects. The program should:**
- (1) Develop the skills required to apply the knowledge attained (including skills in communications, research, judgment and analysis).**
  - (2) Include and emphasize ethical behavior and professional responsibility.**
  - (3) Provide the highest quality instruction in subjects that clearly contribute to the**

knowledge, skills and abilities necessary to meet the public's expectations of a CPA.

(b) For purposes of Section 5(c) of the Uniform Accountancy Act, an applicant will be deemed to have met the education requirement(s) if the Board has determined the applicant has met the requirements of Rule 5-2(c) and Rule 5-2(d), together with appropriate consideration of Rule 5-2(a).

(c) Determining compliance of the applicant's education shall be accomplished through the Board's use of the following procedures:

(1) Reliance on accreditation, as defined in Rule 5-1(c), of the college or university, from which the candidate has obtained the necessary degree and hours as defined in Rule 5-2(d) for purposes of determining the acceptability of the degree and the amount of detailed review required for compliance with the accounting and business content.

State Boards may place significant reliance on the quality, content and delivery method of accounting and business courses included in accounting degrees from Level 1 colleges or universities and as such, transcripts from such colleges or universities would require minimal or no Board review. Colleges or universities with Level 2 accreditation would require little or no Board review of transcripts in terms of the business content, but the accounting content would require more review than Level 1. Transcripts from a Level 3 college or university would require more detailed review by the Board for compliance with the accounting and business content. Degrees from colleges or universities without accreditation or with accreditation by an organization not recognized by the Board would generally not be acceptable.

(2) Reliance on other procedures and information where the degree and/or courses were obtained from a college or university(s) not meeting the accreditation requirements of Rule 5-2(c)(1). Accepting degrees or courses under Rule 5-2(d) should only be based on evidence of acceptable course content, instruction and quality as would be expected by accreditation and as approved by the Board.

(3) Reliance on other procedures and information where the requirements of Rule 5-2(d) are met by integration of subject matter. The requirements set forth in Rule 5-2(e) should be used to determine compliance.

(d) An applicant shall be deemed to have satisfied the education requirements if the following conditions are met:

(1) Earned a graduate degree and/or a baccalaureate degree at a college or university that is accredited, as described in Rule 5-1(c);

(2) Earned a minimum of 24 SCH (or the equivalent) of accounting courses at the

**undergraduate or graduate level, excluding principles or introductory accounting courses, covering some or all of the following subject-matter content, which are to be contemporaneously derived from the Uniform CPA Examination Content Specification Outline (CSO):**

- (i) Financial accounting and reporting for business organizations**
  - (ii) Financial accounting and reporting for government and not-for-profit entities**
  - (iii) Auditing and attestation services**
  - (iv) Managerial or cost accounting**
  - (v) Taxation**
  - (vi) Fraud examination**
  - (vii) Internal controls and risk assessment**
  - (viii) Financial statement analysis**
  - (ix) Accounting research and analysis**
  - (x) Tax research and analysis**
  - (xi) Accounting information systems**
  - (xii) Ethics (accounting course), as described in Rule 5-2 (d) (6)**
  - (xiii) Other areas included in the CSO or as may be approved by the Board.**
- (3) Earned a minimum of two SCH in research and analysis relevant to the course content described in 5-2(d)(2) through a discrete undergraduate and/or graduate accounting course, or two SCH integrated throughout the undergraduate and/or graduate accounting curriculum. Colleges or universities must provide evidence of coverage under integration as specified in Rule 5-2(e). The SCH earned through a discrete course in research and analysis in accounting may fulfill two of the SCH of the accounting subject matter requirements in Rule 5-2(d)(2).**
- (4) Earned a minimum of 24 SCH (or the equivalent) of business courses, other than accounting, at the undergraduate and/or graduate level, covering some or all of the following subject-matter content:**
- (i) Business law**
  - (ii) Economics**
  - (iii) Management**
  - (iv) Marketing**
  - (v) Finance**
  - (vi) Business communications**
  - (vii) Statistics**
  - (viii) Quantitative methods**
  - (ix) Information systems or technology**
  - (x) Ethics (business course), as described in Rule 5-2 (c) (6)**
  - (xi) Other areas as may be approved by the Board.**
- (5) Earned a minimum of two SCH in communications in an undergraduate and/or a graduate course listed or cross-listed as an accounting or business course or**

two SCH integrated throughout the undergraduate or graduate accounting or business curriculum. Colleges or universities must provide evidence of coverage under integration as specified in 5-2(e). The SCH earned through a discrete course in communications may fulfill two SCH of the subject matter requirements of Rule 5-2(d)(4).

- (6) Earned a minimum of three SCH in an undergraduate and/or a graduate course listed or cross listed as an accounting or business course in ethics as defined in Rule 5-1(e). A discrete three SCH course in ethics may count towards meeting the accounting or business course requirements of Rule 5-2(d)(2) or Rule 5-2(d)(4). As an alternative, colleges or universities may choose to integrate the course throughout the undergraduate and/or graduate accounting or business curriculum. Universities must provide evidence of coverage under integration as specified in Rule 5-2(e). Proof of coverage may be provided through specific evaluation by a national accrediting agency recognized by CHEA, such as AACSB or ACBSP, in which evidence is provided to assure the Board that the program of learning defined in Rule 5-1(e) has been adequately covered and at the equivalent of the three SCH minimum. Alternate methods for proof of ethics coverage may be determined and approved by the Board following careful scrutiny.
- (7) A maximum of six SCH for internships and independent study, as defined in Rule 5-1(f) and Rule 5-1(g), may count towards the subject matter requirements of Rule 5-2(d)(2) or Rule 5-2(d)(4). However, of the six SCH, a maximum of three SCH may apply to accounting courses under Rule 5-2(d).
- (e) Colleges or universities that use an integrated approach to meet the requirements of Rule 5-2(c)(3, 5 or 6) must provide evidence that the respective subjects adequately cover the desired content, with acceptable instruction and quality to attain the objectives. Proof of coverage may be provided through specific evaluation by a national accrediting agency recognized by CHEA, such as AACSB or ACBSP. Alternate methods for proof of coverage may be determined and approved by the Board following careful scrutiny.

#### **Rule 5-3 - Applications for examination.**

- (a) Applications to take the Certified Public Accountant Examination must be made on a form provided by the Board and filed with the Board by a due date specified by the Board in the application form.
- (b) An application will not be considered filed until the application fee and examination fee required by these Rules and all required supporting documents have been received, including proof of identity as determined by the Board and specified on the application form, official transcripts and proof that the Candidate has satisfied the education requirement.



- (c) **A Candidate who fails to appear for the examination shall forfeit all fees charged for both the application and the examination.**
- (d) **The Board or its designee will forward notification of eligibility for the computer-based examination to NASBA's National Candidate Database.**

**Rule 5-4 - Time and place of examination.**

**Eligible Candidates shall be notified of the time and place of the examination, or shall independently contact the Board, the Board's designee or a test center operator to schedule the time and place for the examination at an approved test site. Scheduling reexaminations must be made in accordance with Rule 5-7(b) below.**

**Rule 5-5 - Examination content.**

**The examination required by Section 5 of the Act shall test the knowledge and skills required for performance as an entry-level certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the Board may require.**

**Rule 5-6 – Determining and reporting examination grades.**

**A Candidate shall be required to pass all Test Sections of the examination provided for in subsection 5(d) of the Act in order to qualify for a certificate. Upon receipt of advisory grades from the examination provider, the Board will review and may adopt the examination grades and will report the official results to the Candidate. The Candidate must attain the uniform passing grade established through a psychometrically acceptable standard-setting procedure and approved by the Board.**

**Rule 5-7 – Retake and granting of credit requirements.**

- (a) **A Candidate shall be required to pass all sections of the examination provided for in Section 5(d) of the Act in order to qualify for a certificate.**
- (b) **A Candidate may take the required Test Sections individually and in any order. Credit for any Test Section(s) passed shall be valid for eighteen months from the actual date the Candidate took that Test Section, without having to attain a minimum score on any failed Test Section(s) and without regard to whether the Candidate has taken other Test Sections.**

- (1) **Candidates must pass all four Test Sections of the Uniform CPA Examination**

within a rolling eighteen-month period, which begins on the date that the first Test Section(s) passed is taken.

- (2) Candidates cannot retake a failed Test Section(s) in the same examination window. An examination window refers to a three-month period in which Candidates have an opportunity to take the CPA examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus, Candidates will be able to test two out of the three months within an examination window.
  - (3) In the event all four Test Sections of the Uniform CPA Examination are not passed within the rolling eighteen-month period, credit for any Test Section(s) passed outside the eighteen-month period will expire and that Test Section(s) must be retaken.
- (c) A Candidate shall retain credit for any and all Test Sections of the examination passed as a candidate of another state if such credit would have been given under then applicable requirements in this State.
  - (d) A Candidate shall be deemed to have passed the Uniform CPA Examination once the Candidate holds at the same time valid credit for passing each of the four Test Sections of the examination. For purposes of this section, credit for passing a Test Section of the computer-based examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the Candidate actually receives notice of the passing grade.
  - (e) Notwithstanding subsection (d) of this Rule, the Board may in particular cases extend the term of credit validity upon a showing that the credit was lost by reason of circumstances beyond the Candidate's control.

#### **Rule 5-8 – Candidate testing fee.**

The Candidate shall, for each Test Section scheduled by the Candidate to the Board or its designee, pay a Candidate Testing Fee that includes the actual fees charged by the AICPA, NASBA, and the Test Delivery Service Provider, as well as reasonable application fees established by the State Board.

#### **Rule 5-9 – Cheating.**

- (a) Cheating by a Candidate in applying for, taking or subsequent to the examination will be deemed to invalidate any grade otherwise earned by a Candidate on any Test Section of the examination, and may warrant summary expulsion from the test site and disqualification from taking the examination for a specified period of time.

- (b) For purposes of this Rule, the following actions or attempted activities, among others, may be considered cheating:
- (1) Falsifying or misrepresenting educational credentials or other information required for admission to the examination;
  - (2) Communication between Candidates inside or outside the test site or copying another Candidate's answers while the examination is in progress;
  - (3) Communication with others inside or outside the test site while the examination is in progress;
  - (4) Substitution of another person to sit in the test site in the stead of a Candidate;
  - (5) Reference to crib sheets, textbooks or other material or electronic media (other than that provided to the Candidate as part of the examination) inside or outside the test site while the examination is in progress;
  - (6) Violating the nondisclosure prohibitions of the examination or aiding or abetting another in doing so, or otherwise participating in the collection of Test Items for use, redistribution or sale;
  - (7) Retaking or attempting to retake a Test Section by an individual holding a valid Certificate or by a Candidate who has unexpired credit for having already passed the same Test Section, unless the individual has been directed to retake a Test Section pursuant to Board order or unless the individual has been expressly authorized by the Board to participate in a "secret shopper" program.
- (c) In any case where it appears that cheating has occurred or is occurring, the Board or its representatives may either summarily expel the Candidate involved from the examination or move the Candidate to a position in the Test Center away from other examinees where the Candidate can be watched more closely.
- (d) In any case where the Board believes that it has evidence that a Candidate has cheated on the examination, including those cases where the Candidate has been expelled from the examination, the Board shall conduct an investigation and may conduct a hearing consistent with the requirements of the state's Administrative Procedures Act following the examination session for the purpose of determining whether or not there was cheating, and if so what remedy should be applied. In such proceedings, the Board shall decide:
- (1) Whether the Candidate shall be given credit for any portion of the examination completed in that session; and
  - (2) Whether the Candidate shall be barred from taking the examination and if so,

for what period of time.

- (e) In any case where the Board or its representative permits a Candidate to continue taking the examination, it may depending on the circumstances:
  - (1) Admonish the Candidate;
  - (2) Seat the Candidate in a segregated location for the rest of the examination;
  - (3) Keep a record of the Candidate's seat location and identifying information, and the names and identifying information of the Candidates in close proximity of the Candidate; and/or
  - (4) Notify the National Candidate Database and the AICPA and/or the Test Center of the circumstances, so that the Candidate may be more closely monitored in future examination sessions.
- (f) In any case in which a Candidate is refused credit for any Test Section of an examination taken, disqualified from taking any Test Section, or barred from taking the examination in the future, the Board will provide to the Board of Accountancy of any other state to which the Candidate may apply for the examination information as to the Board's findings and actions taken.

**Rule 5-10 – Security and irregularities.**

Notwithstanding any other provisions under these rules, the Board may postpone scheduled examinations, the release of grades, or the issuance of certificates due to a breach of examination security; unauthorized acquisition or disclosure of the contents of an examination; suspected or actual negligence, errors, omissions, or irregularities in conducting an examination; or for any other reasonable cause or unforeseen circumstance.

**Rule 5-11 - Good moral character.**

- (a) Applicants have the burden of demonstrating good moral character as defined by Section 5(b) of the Act in the manner specified by the Board in its application forms.
- (b) Prima facie evidence of a lack of good moral character includes, but is not limited to:
  - (1) any deferred prosecution agreement involving an admission of wrongdoing, or any criminal conviction, including conviction following a guilty plea or plea of *nolo contendere*, for any felony or any crime, an essential element of which is fraud, dishonesty, deceit, or any other crime which evidences an unfitness of the applicant to practice public accountancy in a competent manner and consistent with public protection; or

- (2) active or stayed revocation or suspension of any occupational license, privilege or other authority to practice any licensed occupation by or before any state, federal, foreign or other licensing or regulatory authority, provided the grounds for the revocation or suspension include wrongful conduct such as fraud, dishonesty, or deceit or any other conduct which evidences any unfitness of the applicant to practice public accountancy; or**
- (3) any act which would be grounds for revocation or suspension of a license if committed by a licensee of the Board.**

*Comment: Most states use the term “revoke,” “revocation,” “suspend,” or “suspension” to refer to removing a license on disciplinary grounds. However, state boards should be aware that some jurisdictions use the term “revoke” to refer to forfeitures for administrative reasons such as failure to renew a license or to comply with CPE requirements which in and of themselves would not necessarily constitute a lack of good moral character.*

- (c) Factors which the Board may consider in determining rehabilitation of moral character include, but are not limited, to the following: Completion of criminal probation, restitution, community service, military or other public service, the passage of time without the commission of any further crime or act demonstrating a lack of moral character under subsection (b), the expungement of any conviction, or reduction of a conviction from a felony to misdemeanor.**

**ARTICLE 6**  
**ISSUANCE OF CERTIFICATES AND RENEWAL OF CERTIFICATES**  
**AND REGISTRATIONS, CONTINUING PROFESSIONAL EDUCATION**  
**AND RECIPROCITY**

**Rule 6-1 - Applications.**

- (a) Applications for initial certificates and for renewal of certificates and registrations pursuant to the Act shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no later than 60 days prior to the expiration date set by these rules. Applications will not be considered filed until the applicable fee prescribed in the Rules is received. If an application for renewal is filed late, it shall also be accompanied by the delinquency fee prescribed in the Rules.
- (b) Applications for renewal of certificates or registrations shall be accompanied by evidence satisfactory to the Board that the applicant has complied with the continuing professional education requirements under Section 6(d) of the Act and of these Rules.

**Rule 6-2 - Experience required for initial certificate.**

The experience required to be demonstrated for issuance of an initial certificate pursuant to Section 5(f) of the Act shall meet the requirements of this rule.

- (a) Experience may consist of providing any type of services or advice using accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills.
- (b) The applicant shall have their experience verified to the Board by a licensee as defined in the Act or from another state. Acceptable experience shall include employment in industry, government, academia or public practice. The Board shall look at such factors as the complexity and diversity of the work.
- (c) One year of experience shall consist of full or part-time employment that extends over a period of no less than a year and no more than three years and includes no fewer than 2,000 hours of performance of services described in subsection (a) above.

**Rule 6-3 - Evidence of applicant's experience.**

- (a) Any licensee who has been requested by an applicant to submit to the Board evidence of the applicant's experience and has refused to do so shall, upon request by the Board, explain in writing or in person the basis for such refusal.
- (b) The Board may require any licensee who has furnished evidence of an applicant's experience to substantiate the information.

- (c) Any applicant may be required to appear before the Board or its representative to supplement or verify evidence of experience.
- (d) The Board may inspect documentation relating to an applicant's claimed experience.

**Rule 6-4 - Continuing professional education requirements for renewal of the certificate or registration.**

The following requirements of continuing professional education apply to the renewal of certificates and registrations pursuant to Section 6(d) of the Act.

- (a) An applicant seeking renewal of a certificate or registration shall show that the applicant has completed no less than 120 hours of continuing professional education, including a minimum of four hours in ethics, complying with these Rules during the three-year period preceding renewal. A program in ethics includes topics such as ethical reasoning, state-specific statutes and rules, and standards of professional conduct, including those of other applicable regulatory bodies. A minimum of 20 CPE hours shall be completed each year. An applicant seeking renewal of a certificate or registration shall demonstrate participation in a program of learning meeting the standards set forth in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by NASBA and AICPA.
- (b) An applicant whose certificate or registration has lapsed shall complete no less than 120 hours of CPE complying with these rules during the three-year period preceding the date of reapplication. An applicant whose certificate or registration has lapsed shall be required to identify and complete a program of learning designed to demonstrate the currency of the licensee's competencies directly related to his or her area of service.
- (c) A licensee granted an exception from the competency requirement by the Board may discontinue use of the word "inactive" in association with their CPA or PA title upon showing that they have completed no less than 120 hours of continuing professional education complying with these Rules during the three-year period preceding their request to discontinue use of the word "inactive", with a minimum of 20 hours in each year.

**Rule 6-5 - Programs qualifying for continuing professional education credit.**

- (a) Standards -- A program qualifies as acceptable continuing professional education for purposes of Section 6(d) of the Act and these Rules if it is a program of learning which contributes to the growth in the professional knowledge and professional competence of a licensee. The program must meet the minimum standards of quality of development, presentation, measurement, and reporting of credits set forth in the Statement on Standards for Continuing Professional Education Programs jointly approved by NASBA and AICPA or such other standards acceptable to the Board.

- (b) Subject Areas -- The Board will accept programs meeting the standards set forth in the Statement on Standards for Continuing Professional Education Programs jointly approved by NASBA and AICPA or standards deemed by the Board to be comparable thereto.**
- (c) A non-resident licensee seeking renewal of a certificate in this state shall be determined to have met the CPE requirement (including the requirements of Rule 6-4(a)) of this rule by meeting the CPE requirements for renewal of a certificate in the state in which the licensee's principal place of business is located.**
  - (1) Non-resident applicants for renewal shall demonstrate compliance with the CPE renewal requirements of the state in which the licensee's principal place of business is located by signing a statement to that effect on the renewal application of this state.**
  - (2) If a non-resident licensee's principal place of business state has no CPE requirements for renewal of a certificate, the non-resident licensee must comply with all CPE requirements for renewal of a certificate in this state.**

#### **Rule 6-6 - Continuing professional education records.**

- (a) Applicants for renewal of certificates or registrations pursuant to the Act shall file with their applications a signed statement indicating they have met the requirements for participation in a program of continuous learning as set forth by the Board or contained in the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by the NASBA and the AICPA. Responsibility for documenting the acceptability of the program and the validity of the credits rests with the applicant who should retain such documentation for a period of five years following completion of each learning activity.**
- (b) The Board will verify, on a test basis, information submitted by applicants for renewal of certificates or registrations. In cases where the Board determines that the requirement is not met, the Board may grant an additional period of time in which the deficiencies can be cured. Fraudulent reporting is a basis for disciplinary action.**

#### **Rule 6-7 - Exceptions.**

- (a) The Board may make an exception to the requirement set out in Rule 6-4(a) for a licensee who is inactive or who does not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements or other compilation communication, or of one or more kinds of management advisory, financial advisory**



or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters.

- (b) The Board may in particular cases make exceptions to the requirements set out in Rule 6-4(a) for reasons of individual hardship including health, military service, foreign residence, or other good cause.
- (c) Licensees granted an exception by the Board must place the word “inactive” adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears.
- (d) Licensees granted an exception by the Board must comply with a re-entry competency requirement defined by the Board as set out in Rule 6-4(c) before they may discontinue use of the word “inactive” in association with their CPA or PA title.

**Rule 6-8 - Interstate practice.**

- (a) These regulations provide two distinct routes for an individual already licensed in another state to be authorized to practice in this state. The applicable route depends upon whether the individual will establish a principal place of business in this state. Individuals establishing a principal place of business in this state may qualify for a reciprocal license as described in Section 6(c)(2) of the Act (substantial equivalence) or as described in Section 6(c)(1) of the Act and Rule 6-8(b) below). Individuals with a principal place of business in another state may offer or render services in this state pursuant to substantial equivalence (see Section 23(a)(1) or (a)(2) of the Act).
- (b) Regarding an individual establishing a principal place of business in this State, if the substantial equivalency standard set out in Section 23 of the Act is not applicable, the Board shall issue a reciprocal certificate to the holder of a certificate issued by another state provided that the applicant meets each of the following requirements:
  - (1) Has successfully completed the CPA examination. Successful completion of the examination means that the applicant passed the examination in accordance with the rules of the other state at the time it granted the applicant’s initial certificate.
  - (2) Has satisfied the 4-in-10 experience requirement set out in Section 6(c)(1)(B) of the Act.
  - (3) Has experience of the type required under the Act and these Rules for issuance of the initial certificate.
  - (4) Has met the CPE requirement pursuant to Section 6(c)(1)(C) of the Act, if applicable.

**Rule 6-9 - International reciprocity.**

- (a) The Board may designate a professional accounting credential or professional registration issued in a foreign country as substantially equivalent to a CPA license.**

  - (1) The Board may rely on the International Qualifications Appraisal Board for evaluation of foreign credential equivalency and may presume that an applicant with a foreign accounting credential that is covered by a currently valid Mutual Recognition Agreement (MRA) is substantially equivalent (subject to other qualifying requirements as provided in the MRA).**
  - (2) The Board may accept a foreign accounting credential in partial satisfaction of its domestic credentialing requirements if:**

    - (i) the holder of the foreign accounting credential met the issuing body's education requirement and passed the issuing body's examination used to qualify its own domestic candidates; and**
    - (ii) the foreign credential is valid and in good standing at the time of application for a domestic credential.**
- (b) The Board may satisfy itself through qualifying examination(s) that the holder of a foreign credential deemed by the Board to be substantially equivalent to a CPA certificate possesses adequate knowledge of U.S. practice standards [and the Board's regulations]. The Board may rely on the National Association of State Boards of Accountancy, the American Institute of Certified Public Accountants, or other professional bodies to develop, administer, and grade such qualifying examination(s). The Board will specify the qualifying examination(s) and process by resolution.**
- (c) An applicant for renewal of a CPA certificate originally issued in reliance on a foreign accounting credential shall:**

  - (1) Make application for renewal at the time and in the manner prescribed by the Board for all other certificate renewals;**
  - (2) Pay such fees as are prescribed for all other certificate renewals;**
  - (3) If the applicant has a foreign credential in effect at the time of the application for renewal of the CPA certification, present documentation from the foreign accounting credential issuing body that the applicant's foreign credential has not been suspended or revoked and the applicant is not the subject of a current investigation. If the applicant for renewal no longer has a foreign credential, the applicant must present proof from the foreign credentialing body that the applicant for renewal was not the subject of any disciplinary proceedings or investigations at the time that the foreign credential lapsed; and**

- (4) **Either show completion of continuing professional education substantially equivalent to that required under Rule 6-4 within the three year period preceding renewal application, or petition the Board for complete or partial waiver of the CPE requirement based on the ratio of foreign practice to practice in this State.**
- (d) **The holder of a license or practice privilege issued or granted by this Board in reliance on a foreign accounting credential or license shall report any investigations undertaken, or sanctions imposed, by a foreign credentialing or licensing body against the CPA's foreign credential or license, or any discipline ordered by any other regulatory authority having jurisdiction over the holder's conduct in the practice of accountancy.**
- (e) **Suspension or revocation of, or refusal to renew, the CPA's foreign accounting credential by the foreign credentialing body may be evidence of conduct reflecting adversely upon the CPA's fitness to retain the certificate and may be a prima facie basis for Board action, subject to the following.**
- (f) **The Board may presume procedural due process and fairness if the foreign jurisdiction is a party to a current MRA that NASBA, the AICPA and this State have adopted.**
- (g) **Conviction of a felony or any crime involving dishonesty or fraud under the laws of a foreign country is evidence of conduct reflecting adversely on the CPA's fitness to retain the certificate and is a basis for Board action.**
- (h) **The Board shall notify the appropriate foreign credentialing authorities of any sanctions imposed against a CPA.**
- (i) **The Board may participate in joint investigations with foreign credentialing bodies and may rely on evidence supplied by such bodies in disciplinary hearings.**

**Rule 6-10 - Peer review for certificate holders who do not practice in a licensed firm.**

**A certificate holder who issues compilation reports as defined in this Act other than through a CPA firm that holds a permit under Section 7 of this Act must undergo a peer review as required under Rules 7-3 and 7-4.**

**ARTICLE 7**  
**PERMITS TO PRACTICE -- FIRMS**

**Rule 7-1 - Applications.**

- (a) Applications by firms for initial issuance and for renewal of permits pursuant to Section 7 of the Act shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no earlier than [\_\_\_\_] months and no later than [\_\_\_\_] months prior to the expiration date. Applications will not be considered filed until the applicable fee and all required documents prescribed in these Rules are received. If an application for permit renewal is filed late, it shall also be accompanied by the delinquency fee prescribed in these Rules.
- (b) A sole proprietor may apply simultaneously for a certificate or a renewal of a registration or a certificate and a firm permit.
- (c) Applications shall include the firm name, addresses and telephone numbers of the main office and of any branch offices of the firm in this State, the name of the person in charge of each such branch office, and the names of the partners, shareholders, members, managers, directors and officers whose principal place of business is in this State.

**Rule 7-2 - Notification of changes by firms.**

- (a) A firm registered pursuant to Section 7 of the Act shall file with the Board a written notification of any of the following events concerning the practice of public accountancy within this State within thirty (30) days after its occurrence:
  - (1) Formation of a new firm;
  - (2) Addition of a partner, member, manager or shareholder;
  - (3) Retirement, withdrawal or death of a partner, member, manager or shareholder;
  - (4) Any change in the name of the firm;
  - (5) Termination of the firm;
  - (6) Change in the management of any branch office in this State;
  - (7) Establishment of a new branch office or the closing or change of address of a branch office in this State; and
  - (8) Issuance of the firm's first issued financial statements and accountant's reports

for each level of service described in Rule 7-3; or

- (9) **The occurrence of any event or events which would cause such firm not to be in conformity with the provisions of the Act or these Rules.**
- (b) **In the event of any change in legal form of a firm, such new firm shall within thirty (30) days of the change file an application for an initial permit in accordance with these Rules and pay the fee required by these Rules.**

**Rule 7-3 - Successful completion of an approved Compliance Assurance Program as a condition for renewal of permit.**

- (a) **In furtherance of its duty to protect the public regarding attest services, the Board requires all CPA firms offering or rendering such services to be enrolled in, and undergo, a transparent compliance assurance program approved by the Board and to comply with the applicable compliance assurance standards of that program. As used herein, the term “Compliance Assurance Program” includes, but is not limited to, “peer review” programs or other comparable programs which have been approved by the Board in accordance with the requirements set forth below.**
- (b) **The Compliance Assurance functions may be performed by a committee established by the Board, qualified contractors approved by the Board or substantially equivalent programs [such as the peer review program administered by the AICPA] acceptable to the Board. The Board may establish procedures to perform the following functions:**
  - (1) **Review of financial statements and the reports of licensees thereon, to assess their compliance with applicable professional standards;**
  - (2) **Improvement of reporting practices of licensees through education and remediation;**
  - (3) **Referrals to the Board of cases requiring further investigation by the Board or its designees;**
  - (4) **Verification that individuals in the firm responsible for supervising compilation or attest services, and signing the accountants’ report on financial statements on behalf of the firm, meet the competency requirements set out in applicable professional standards;**
  - (5) **Verification that a certificate holder who issues compilation reports for the public other than through a CPA firm, who supervises such services and/or signs the compilation report on such financial statements, meets the competency requirements set out in applicable professional standards; and**
  - (6) **Such other functions as the Board may assign to its designees.**

- (c) **On and after \_\_\_\_\_, each applicant for renewal of a certificate under Section 6 of the Act in the case of a certificate holder who issues compilation reports to the public other than through a CPA firm, and each applicant for renewal of a firm permit to practice under Section 7 of the Act, shall furnish in connection with their application, with respect to each office maintained by the applicant in this State, one copy of each of the following kinds of reports, together with their accompanying financial statements, issued by the certificate holder or office during the twelve month period next preceding the date of application, if any report of such kind was issued during such period:**
- (1) A compilation report;**
  - (2) A review report;**
  - (3) An audit report;**
  - (4) A report of the examination of prospective financial information.**
- (d) **The Board may also solicit for review reports of licensees and related financial statements from clients, public agencies, banks, and other users of financial statements.**
- (e) **Any documents submitted in accordance with subsection (b) may have the name of the client, the client's address and other identifying facts omitted, provided that the omission does not render the type or nature of the enterprise undeterminable. The identities of the sources of financial statements and reports received by the Board from other than the licensees who issued the reports shall be preserved in confidence. Reports submitted to the Board pursuant to subsection (b), and comments of reviewers and of the Board on such reports or workpapers relating thereto, also shall be preserved in confidence except that they may be communicated by the Board to the licensees who issued the reports.**
- (f) **The review of financial statements and reports of the licensees thereon shall be directed toward the following:**
- (1) Presentation of financial statements in conformity with generally accepted accounting principles;**
  - (2) Compliance by licensees with generally accepted auditing standards;**
  - (3) Compliance by licensees with other professional standards; and**
  - (4) Compliance by licensees with the Rules of the Board and other regulations relating to the performance of compilation and attest services as herein defined.**

- (g) The reviews of the financial statements and the reports of the licensees shall be conducted as follows:**

  - (1) Compilation level services will be subject to a desk review;**
  - (2) Review level services will be subject to a field review in the offices of the licensee;**
  - (3) Audit level services and reports of examination of prospective financial information will be subject to a field review in the offices of the licensee;**
  - (4) Additional reports and financial statements may be selected during the performance of a desk review or an on-premise field review based upon the size and complexity of the reviewed firm as judged by the Board or its designee to adequately assess the quality of the reviewed firm's professional attest practice.**
  
- (h) A firm's review shall result in one of three findings:**

  - (1) Pass;**
  - (2) Pass with deficiencies; or**
  - (3) Fail.**
  
- (i) In any instance where the Board finds a deficiency in the professional work of a licensee, it shall advise the licensee in writing of the deficiency. The Board may request the licensee to meet with it to discuss deficiencies. If the Board determines that a report is substandard or seriously questionable, the Board may direct that a review of the workpapers be conducted by an independent reviewer other than the person who performed the review of the report. The findings of any such review of the workpapers shall be transmitted by the reviewer to the Board.**
  
- (j) In gathering information about the professional work of licensees, the Board may make use of investigators, either paid or unpaid, who are not members of the Board.**
  
- (k) The results of the reviews will be transmitted to the Board's office within 45 days after completion of any review report.**

**Rule 7-4 - Equivalent reviews as a condition for renewal of a permit.**

- (a) The requirements of Rule 7-3 shall not apply with respect to any firm or certificate holder which within the three years immediately preceding the application had been subjected to a comprehensive and appropriately administered compliance assurance program as determined and approved by the Board.**
  
- (b) An oversight committee shall be appointed by the Board to monitor the compliance assurance programs and report to the Board that the programs meet the requirements set out in the Act and these Rules. The oversight committee shall:**

- (1) only include individuals who are not members of the Board;**
  - (2) have full access to the peer review process which is subject to oversight and may be required to sign a confidentiality agreement to have this access;**
  - (3) provide the Board with the names of those certificate holders and firms which have undergone and have had accepted an equivalent review as well as whether such certificate holders and firms are meeting the terms, conditions, and remedial actions, if any, required by the reviewing organization;**
  - (4) establish, as directed by the Board, procedures designed to ensure confidentiality of documents furnished or generated in the course of the review;**
  - (5) coordinate oversight functions conducted within the state with national oversight objectives and procedures adopted by the NASBA Compliance Assurance Review Board (CARB).**
- (c) The Board shall establish procedures and take all action necessary to ensure that the above materials remain privileged as to any third parties, except those materials subject to public disclosure as provided herein.**

**Rule 7-5 – Submission of compliance assurance reports to the Board.**

- (a) Firms qualifying for exemption from compliance assurance review as provided by the provisions of Rule 7-4 shall notify and affirmatively request the administering entity performing the qualifying satisfactorily equivalent compliance assurance reviews [such as those conducted by AICPA peer review programs and the entities administering those reviews] to provide Board access to the reports within 45 days after the administering entity's acceptance of any review report.**
- (b) Regarding any report required to be submitted to the Board pursuant to this rule, the reviewed firm must retain, for a period of seven (7) years from the date of the report acceptance, all of the following: compliance assurance report [or "peer review report"], letter of comments, letter of response, acceptance letter signed by the reviewed firm agreeing to take corrective actions, and letter of completion indicating that the firm's compliance assurance review is complete. Upon request of the Board, the reviewed firm or individual shall timely submit such documentation to the Board;**
- (c) The objective of this reporting rule is primarily to reinforce the Board's efforts to ensure that only appropriately qualified CPA firms are engaged in the offering and rendering of services subject to compliance assurance. Based upon its review of the reports submitted pursuant to this rule, the Board may consider, pursuant to hearing or by consent, additional corrective actions such as probation, practice limits, additional continuing education, pre-issuance reviews, more frequent peer reviews, and other measures, including, in severe cases, discipline against the reviewed firm**



**and any individual licensees employed or contracted by the reviewed firm.**

- (d) For good cause shown the Board may grant or renew applications for a reasonable period of time pending completion.**

**Rule 7-6 - Internet practice.**

**A CPA firm offering or rendering professional services via a Web site shall provide in the Web site's homepage, a name, an address, and principal state of licensure as a means for regulators and the public to contact a responsible licensee in charge at the firm regarding complaints, questions, or regulatory compliance.**

**Rule 7-7 - Attest documentation and retention.**

- (a) Licensees shall comply with all professional standards for attest documentation applicable to particular engagements, including, but not limited to standards adopted by recognized standards setting bodies such as the Public Company Accounting Oversight Board (PCAOB), the Comptroller General of the United States, and the Auditing Standards Board.**
- (b) If the applicable standards do not otherwise specify, the retention period for attest documentation shall be five (5) years and shall be measured from the report date.**
- (c) If attest documentation is required to be kept for longer than provided in the applicable standards or Rule 7-7(b) because of a pending Board investigation or disciplinary action, attest documentation shall not be destroyed until the licensee has been notified in writing by the Board of the closure of a Board investigation or disciplinary proceeding.**

**Rule 7-8 - Unregistered firm compliance with applicable compliance assurance requirements.**

**Any firm not required to register in this state, but which provides attest services as permitted under Sections 7 and 23 of the Act, shall maintain records as prescribed by Rule 7-5(b) regarding its participation in a comparable Compliance Assurance Program for any period in which the firm provided attest services in this state and shall provide copies of such records upon this Board's written request; provided, however, the Board shall not make such a request except upon good cause.**

***Comment: For purposes of this Rule, "good cause" is reasonable cause and not authorization for a notice requirement. Good cause for requesting Compliance Assurance Programs records should be based upon a third party complaint or other evidence of inadequate professional services of the type that would be subject to peer review.***

**ARTICLE 10  
ENFORCEMENT ACTIONS AGAINST LICENSEES**

**Rule 10-1 - Grounds for enforcement actions against licensees.**

The grounds for revocation and suspension of certificates, registrations and permits, and other disciplinary action against licensees and individuals with privileges under Section 23, are set out in Section 10 of the Act in both specific and general terms. The general terms of that provision of the Act include the following particular grounds for such disciplinary action:

- (a) Any deferred prosecution agreement involving an admission of wrongdoing, or any criminal conviction, including conviction following a guilty plea or plea of *nolo contendere*, for any felony or any crime, an essential element of which is fraud, dishonesty, or deceit, or any other crime which evidences an unfitness of the applicant to practice public accountancy in a competent manner and consistent with public protection.
- (b) Active or stayed revocation or suspension of any occupational license or other privilege to practice any licensed occupation by or before any state, federal, foreign or other licensing or regulatory authority, provided the grounds for the revocation or suspension include wrongful conduct such as fraud, dishonesty, or deceit or any other conduct which evidences any unfitness of the applicant to practice public accountancy.

*Comment: As explained in the Comment to Rule 5-11, most states use the term “revoke,” “revocation,” “suspend,” or “suspension” to refer to removing a license on disciplinary grounds. However, state boards should be aware that some jurisdictions use the term “revoke” or “suspend” to refer to forfeitures for administrative reasons such as failure to renew a license or to comply with CPE requirements which in and of themselves would not necessarily constitute “wrongful conduct.”*

- (c) Dishonesty, fraud, or deceit in obtaining a certificate, registration or permit, within the meaning of Section 10(a)(1) of the Act, including the submission to the Board of any knowingly false or forged evidence in, or in support of, an application for a certificate, registration or permit, and cheating on an examination as defined in these Rules.
- (d) Dishonesty, fraud, deceit or gross negligence, within the meaning of Section 10(a)(5) of the Act, including knowingly, or through gross negligence, making misleading, deceptive or untrue representations in the performance of services.
- (e) Violations of the Act or of Rules promulgated under the Act, within the meaning of Section 10(a)(6) of the Act, including--

- (1) Using the CPA title or providing attest or compilation services in this State without a certificate, registration or permit to practice issued under Sections 6 and 7 or without properly qualifying to practice across state lines under the substantial equivalency provision of the Act;**
  - (2) Using or attempting to use a certificate, registration or permit which has been suspended or revoked;**
  - (3) Making any false, misleading, or deceptive statement, in support of an application for a license filed by another;**
  - (4) Failure of a licensee to provide any explanation requested by the Board regarding evidence submitted by the licensee in support of an application filed by another, or regarding a failure or refusal to submit such evidence; and failure by a licensee to furnish for inspection upon request by the Board or its representative documentation relating to any evidence submitted by the licensee in support of such an application;**
  - (5) Failure to satisfy the continuing professional education requirements set out in Section 6(d) of the Act and/or failure to comply with the continuing education requirements of these Rules;**
  - (6) Failure to comply with professional standards as to the attest and/or compilation competency requirements for those who supervise attest and/or compilation engagements and sign reports on financial statements or other compilation communications with respect to financial statements; or**
  - (7) Failure to comply with the applicable peer review requirements set out in Section 6(j) and Section 7(h) of the Act and these Rules.**
- (f) Conduct reflecting adversely upon the licensee's fitness to perform services, within the meaning of Section 10(a)(10) of the Act, including:**
- (1) Adjudication as mentally incompetent;**
  - (2) Incompetence, including but not limited to:**
    - (i) Gross negligence, recklessness, or repeated acts of negligence in the licensee's record of professional practice; or**
    - (ii) Any condition, whether physical or mental, that endangers the public by impairing skill and care in providing professional services.**
  - (3) Presenting as one's own a license issued to another;**
  - (4) Concealment of information regarding violations by other licensees of the Act or the Rules thereunder when questioned or requested by the Board; and**

- (5) **Willfully failing to file a report or record required by state or federal law; willfully impeding or obstructing the filing of such a report or record, or inducing another person to impede or obstruct such filing by another; and the making or filing of such a report or record which one knows to be false. A finding, adjudication, consent order or conviction by a federal or state court, agency or regulatory authority or the PCAOB that a licensee has willfully failed to file a required report or record shall be prima facie evidence of a violation of this rule.**

**Rule 10-2 - Return of certificate, registration or permit to practice.**

**Any licensee whose certificate, registration or permit issued by the Board is subsequently suspended or revoked shall promptly return such certificate, registration or permit to the Board.**

**Rule 10-3 - Applicable standards.**

**A licensee shall follow the standards, as applicable under the circumstances and at the time of the services, set forth in this section in providing professional services. In addition to the applicable standards set forth below, a licensee shall follow standards issued by other professional or governmental bodies including international standards setting bodies with which a licensee is required by law, regulation or the terms of engagement to comply. A licensee shall comply with all applicable standards, including but not limited to the following:**

- (a) **A licensee shall not render services subject to the authority of the SEC or PCAOB unless the licensee has complied with the applicable standards and rules adopted and approved by the PCAOB and SEC.**
- (b) **A licensee shall not render auditing services unless the licensee has complied with the applicable generally accepted auditing standards.**
- (c) **A licensee shall not render accounting and review services unless the licensee has complied with the standards for accounting and review services issued by the AICPA, including subsequent amendments and editions.**
- (d) **A licensee shall not permit the licensee's name to be associated with governmental financial statements for a client unless the licensee has complied with the standards for governmental accounting issued by the GASB, including subsequent amendments and editions.**
- (e) **A licensee shall not render attestation services unless the licensee has complied with the Statements on Standards for Attestation Engagements issued by the AICPA, including subsequent amendments and editions.**

- (f) A licensee shall not render management consulting services unless the licensee has complied with the standards for management consulting services (including the definition of such services) issued by the AICPA, including subsequent amendments and editions.
- (g) A licensee shall not render services in the area of taxation unless the licensee has complied with the standards for tax services issued by the AICPA, including subsequent amendments and editions.
- (h) A licensee shall not permit the licensee's name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the licensee vouches for the achievability of the forecast, and shall not render services associated with prospective financial statements unless the licensee has complied with the standards for accountants' services on prospective financial information issued by the AICPA, including subsequent amendments and editions.
- (i) A licensee shall not express an opinion on financial statements unless the licensee complies with the Statements of Financial Accounting Standards, together with those Accounting Research Bulletins and Accounting Principles Board Opinions which are not superseded by action of the FASB, including subsequent amendments and editions.

#### **Rule 10-4 – Model Code of Conduct.**

A licensee shall comply with the principles contained in the following Model Code of Conduct. All changes in the NASBA Model Code of Conduct shall automatically be made a part of these rules unless specifically rejected by the Board.

### **NASBA Model Code of Conduct**

#### **PREAMBLE**

The public places trust and confidence in the profession and the services it provides; consequently, licensees have a duty to conduct themselves in a manner that will be beneficial to the public and which fosters such trust and confidence. This Model Code of Conduct identifies seven fundamental principles of conduct, six of which are intended to govern licensees' professional performance whether they are in public practice, industry, not-for-profit organizations, government, education or other professional endeavors. The seventh principle, independence, applies only to those professional services where it is required by professional standards. This Model Code of Conduct defines the conduct that the public has a right to expect of the licensee, as well as all persons or entities the licensee has the authority or capacity to control.

**With the exception of independence, these principles are universal and apply to all services and activities performed by the licensee in all aspects of his or her professional conduct. Independence, however, is a unique principle that applies only to those professional services where it is required in accordance with professional standards. This Model Code of Conduct is not intended to replace professional standards applicable to specific engagements. In applying any of the principles of this Model Code of Conduct to deliberations in disciplinary or other proceedings, the Board may consider as persuasive, but not necessarily conclusive, and/or adopt by reference applicable interpretations and rulings of the Code of Professional Conduct adopted by the American Institute of Certified Public Accountants, as well as similarly applicable interpretations and rulings issued by other authorities such as the Securities and Exchange Commission, the Government Accountability Office and the Public Company Accounting Oversight Board.**

**Users of the licensee's services draw confidence from the knowledge that the profession is bound to a framework which requires continued dedication to professional excellence and commitment to ethical behavior that will not be subordinated to personal gain.**

### **I. PRINCIPLE: PUBLIC INTEREST**

**The grant of a license indicates that an individual has met the criteria established by state boards of accountancy to perform services in a manner that protects the public interest. The licensee must, therefore, have a keen consciousness of the public interest. The public consists of clients, credit grantors, governments, employers, investors, the business and financial community, and others who use the services of licensees. Services provided by licensees support and facilitate many societal needs, including the orderly functioning of commerce and the capital markets.**

**Because the licensee is seen as a representative of the profession by the public who retains or employs him or her or uses his or her services, the licensee should avoid conduct that might conflict with the public interest or erode public respect for, and confidence in, the profession.**

### **II. PRINCIPLE: INTEGRITY**

**Integrity is a character trait demonstrated by acting honestly, candidly, and not knowingly misrepresenting facts, accommodating deceit, or subordinating ethical principles. Acting with integrity is essential to maintaining credibility and public trust. It incorporates both the spirit and substance in the application of the ethical and technical standards that govern the profession, or in the absence thereof, what is just and right.**

**A licensee should act with integrity in the performance of all professional activities in whatever capacity performed.**

### **III. PRINCIPLE: OBJECTIVITY**

**Objectivity is a distinguishing feature of the accounting profession and is critical to maintaining the public's trust and confidence. It is a state of mind that imposes the**

**obligation to be impartial and free of bias that may result from conflicts of interest or subordination of judgment. Objectivity requires a licensee to exercise an appropriate level of professional skepticism in carrying out all professional activities.**

**Although a licensee may serve multiple interests in many different capacities, objectivity must be maintained. This requires a careful assessment of the effects on objectivity of all professional relationships and activities.**

**A licensee should maintain objectivity in the performance of all professional activities in whatever capacity performed.**

#### **IV. PRINCIPLE: DUE CARE**

**Due care imposes the obligation to perform professional activities with concern for the best interest of those for whom the activities are performed and consistent with the profession's responsibility to the public. It is essential to preserving the public's trust and confidence. Due care requires the licensee to discharge professional responsibilities with reasonable care and diligence and to adequately plan and supervise all professional activities for which he or she is responsible.**

**A licensee should act with due care in the performance of all professional activities in whatever capacity performed.**

#### **V. PRINCIPLE: COMPETENCE**

**Competence is derived from a combination of education and experience. It begins with a mastery of the common body of knowledge, skills, and abilities, and requires a commitment to lifelong learning and professional improvement. A licensee should possess a level of competence, sound professional judgment, and proficiency to ensure that the quality of his or her activities meets the high level of professionalism required by these Principles. A licensee is responsible for assessing his or her own competence, which includes evaluating whether education, experience, and judgment are adequate for the responsibility assumed.**

**A licensee should be competent in the performance of all professional activities, in whatever capacity performed, and comply with applicable professional standards.**

#### **VI. PRINCIPLE: CONFIDENTIALITY**

**A licensee has an obligation to maintain and respect the confidentiality of information obtained in the performance of all professional activities. Maintaining such confidentiality is vital to the proper performance of the licensee's professional activities.**

**A licensee shall not use or disclose, or permit others within the licensee's control to use or disclose, any confidential client or employer information without the consent of the client or employer. This obligation continues after the termination of the relationship between the licensee and the client or employer and extends to information obtained by the licensee in**

**professional relationships with prospective clients and employers.**

**This principle shall not be construed to prohibit a licensee from disclosing information as required to meet professional, regulatory or other legal obligations.**

## **VII. PRINCIPLE: INDEPENDENCE**

**Independence, where required by professional standards, is essential to establishing and maintaining the public's faith and confidence in, and reliance on, the information reported on by the licensee.**

**A licensee in the practice of public accounting should be independent in fact and appearance when engaged to provide services where independence is required by professional standards. Independence in fact is the state of mind that permits a licensee to perform an attest service without being affected by influences that compromise professional judgment, thereby allowing the licensee to act with integrity and exercise objectivity and professional skepticism. Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, to reasonably conclude that the integrity, objectivity or professional skepticism of a licensee had been compromised.**



**ARTICLE 11  
ENFORCEMENT PROCEDURES -- INVESTIGATIONS**

**Rule 11-1 - Review of professional work product.**

The Board may solicit and receive publicly available reports of licensees and individuals with privileges under Section 23 of this Act and related financial statements from clients, public agencies, banks, and other users of financial statements on a general and random basis without regard to whether an application for renewal of the particular licensee is then pending or whether there is any formal complaint or suspicion of impropriety on the part of any particular licensee or an individual with privileges under Section 23 of this Act; and it may review such reports and otherwise proceed with respect to the results of any such review in the fashion prescribed in Rule 7-3. For purposes of this Rule, such reports may include publicly available inspection reports prepared by the PCAOB.

**Rule 11-2 – Reporting convictions, judgments, and administrative proceedings.**

- (a) Subject to Section 4(j) of the Act, Licensees shall notify the Board, on a form and in the manner prescribed by the Board, within thirty (30) days of:
- (1) Receipt of a peer review report pursuant to Rule 7-3(h)(3), or a PCAOB firm inspection report containing criticisms of or identifying potential defects in the quality control systems.
  - (2) Receipt of a second consecutive peer review report that is deficient pursuant to Rules 7-3(h)(2); or
  - (3) Imposition upon the licensee of discipline, including, but not limited to, censure, reprimand, sanction, probation, civil penalty, fine, consent decree or order, suspension, revocation, or modification of a license, certificate, permit or practice rights by:
    - (i) the Securities and Exchange Commission (SEC), PCAOB, Internal Revenue Service (IRS) (actions by the Director of Practice); or
    - (ii) another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy; or
    - (iii) any other federal or state agency regarding the licensee’s conduct while rendering professional services; or
    - (iv) any foreign authority or credentialing body that regulates the practice of accountancy.

- (4) Occurrence of any matter reportable that must be reported by the licensee to the PCAOB pursuant to Sarbanes-Oxley Section 102(b)(2)(f) and PCAOB Rules and forms adopted pursuant thereto;**
- (5) Notice of disciplinary charges filed by the SEC, PCAOB, IRS, or another state board of accountancy, or a federal or state taxing, insurance or securities regulatory authority, or foreign authority or credentialing body that regulates the practice of accountancy;**
- (6) Any judgment, award or settlement of a civil action or arbitration proceeding of \$150,000 or more in which the licensee was a party if the matter included allegations of gross negligence, violation of specific standards of practice, fraud, or misappropriation of funds in the practice of accounting; provided, however, licensed firms shall only notify the Board regarding civil judgments, settlements or arbitration awards directly involving the firm's practice of public accounting in this state; or**
- (7) Criminal charges, deferred prosecution or conviction or plea of no contest to which the licensee is a defendant if the crime is:
  - (i) any felony under the laws of the United States or of any state of the United States or any foreign jurisdiction; or**
  - (ii) a misdemeanor if an essential element of the offense is dishonesty, deceit, or fraud.****
- (b) The licensee designated by each CPA firm pursuant to Section 7(c)(2)(A) of the Act (as responsible for the proper registration of the firm) shall report any matter reportable under this rule to which a non-licensee owner with a principal place of business in this state is a party.**
- (c) Reports of pending matters or reports of private litigation resolved by settlement or arbitration shall be deemed confidential records not subject to public disclosure (to the extent permitted by this State's law on Public Records) unless and until the pending matters are concluded or the Board commences a contested case proceeding based upon the subject matter of such reports.**
- (d) During the pendency of a reported matter, the reporting licensee may submit a written explanatory statement to be included in the licensee's record. If reported charges or allegations are subsequently concluded in the licensee's favor or otherwise closed without disciplinary action by this Board, upon the reporting licensee's request, documents received pursuant to said report shall be expunged from the Board's records.**

*Comment: States should consider reducing or dropping a reporting requirement for pending*

*matters or reports of private litigation/arbitration if complying with the request requires the disclosure of otherwise confidential information, and their state laws require such reports to be treated as public records since the potential for abuse might outweigh the regulatory interest in such information. Boards adopting this rule should also consider expunging any self-reported records of charges or allegations that are dropped or otherwise resolved in favor of the reporting licensee and which are maintained by the Board as public records. In the alternative, States should defer implementation of self-reporting of such matters until the State has adopted Section 4(j) of the UAA Statute. See also the reporting requirements set out in Rule 5.*

**Rule 11-3 – Participation in multistate enforcement compacts.**

**Notwithstanding any other provision of law or regulation to the contrary, the Board may participate in any enforcement agreement or compact with other state boards of accountancy to facilitate public protection through the enforcement of this act and cooperate with others in the enforcement of accountancy statutes and rules of this and other states.**

**ARTICLE 13  
REINSTATEMENT**

**Rule 13-1 - Applications for relief from disciplinary penalties.**

- (a) A person whose certificate or registration has been revoked or suspended or an individual whose privileges under Section 23 have been revoked or limited, or a firm whose permit to practice has been revoked or suspended or a person or firm that has been put on probation pursuant to Section 10 of the Act may apply to the Board for modification of the suspension, revocation or probation after completion of all requirements contained in the Board's original order.
- (b) The application shall be in writing; shall set out and, as appropriate, substantiate the reasons constituting good cause for the relief sought, and shall be accompanied by at least two supporting recommendations, under oath, from licensees who have personal knowledge of the activities of the applicant since the suspension or revocation was imposed.

**Rule 13-2 - Action by the Board.**

- (a) An application pursuant to Rule 13-1 will ordinarily be processed by the Board upon the basis of the materials submitted in support thereof, supplemented by such additional inquiries as the Board may require. At the Board's discretion a hearing may be held on an application, following procedures the Board may find suitable for the particular case.
- (b) The Board may impose appropriate terms and conditions for reinstatement of a certificate, registration, permit or privileges under Section 23 or modification of a suspension, revocation or probation.
- (c) In considering an application under Rule 13-1, the Board may consider all activities of the applicant since the disciplinary penalty from which relief is sought was imposed, the offense for which the applicant was disciplined, the applicant's activities during the time the certificate, registration, privileges under Section 23 or permit was in good standing, the applicant's rehabilitative efforts, restitution to damaged parties in the matter for which the penalty was imposed, and the applicant's general reputation for truth and professional probity.
- (d) No application for reinstatement will be considered while the applicant is under sentence for any criminal offense, including any period during which the applicant is on court-imposed probation or parole.

**ARTICLE 14  
UNLAWFUL ACTS**

**Rule 14-1 - CPA firm names.**

**A CPA Firm name may not be used unless such name has been registered with and approved by the Board.**

- (a) A misleading CPA Firm name is one which:**
- (1) Contains any representation that would be likely to cause a reasonable person to misunderstand or be confused about the legal form of the firm, or about who are the owners or members of the firm, such as a reference to a type of organization or an abbreviation thereof which does not accurately reflect the form under which the firm is organized, for example:**
    - (A) Implies the existence of a corporation when the firm is not a corporation such as through the use of the words “corporation”, “incorporated”, “Ltd.”, “professional corporation”, or an abbreviation thereof as part of the firm name if the firm is not incorporated or is not a professional corporation;**
    - (B) Implies the existence of a partnership when there is not a partnership such as by use of the term “partnership” or “limited liability partnership” or the abbreviation “LLP” if the firm is not such an entity;**
    - (C) Includes the name of an individual who is not a CPA if the title “CPAs” is included in the firm name;**
    - (D) Includes information about or indicates an association with persons who are not members of the firm, except as permitted pursuant to Section 14(i) of the Act; or**
    - (E) Includes the terms "& Company", "& Associate", or "Group", but the firm does not include, in addition to the named partner, shareholder, owner, or member, at least one other unnamed partner, shareholder, owner, member, or staff employee.**
  - (2) Contains any representation that would be likely to cause a reasonable person to have a false or unjustified expectation of favorable results or capabilities, through the use of a false or unjustified statement of fact as to any material matter;**
  - (3) Claims or implies the ability to influence a regulatory body or official;**

- (4) Includes the name of an owner whose license has been revoked for disciplinary reasons by the Board, whereby the licensee has been prohibited from practicing public accountancy or prohibited from using the title CPA or holding himself out as a Certified Public Accountant.**
- (b) The following types of CPA Firm names are not in and of themselves misleading and are permissible so long as they do not violate the provisions of Rule 14-1(a):**
  - (1) A firm name that includes the names of one or more former or present owners;**
  - (2) A firm name that excludes the names of one or more former or present owners;**
  - (3) A firm name that uses the "CPA" title as part of the firm name when all named individuals are owners of the firm who hold such title or are former owners who held such title at the time they ceased to be owners of the firm;**
  - (4) A firm name that includes the name of a non-CPA owner if the "CPA" title is not a part of the firm name;**
- (c) A Network firm as defined in the AICPA Code of Professional Conduct ("Code") in effect July 1, 2011 may use a common brand name, or share common initials, as part of the firm name;**
- (d) A Network firm as defined in the AICPA Code of Professional Conduct ("Code") in effect July 1, 2011 may use the Network name as the firm's name, provided it also shares one or more of the following characteristics with other firms in the network:**
  - (1) Common control, as defined by generally accepted accounting principles in the United States, among the firms through ownership, management, or other means;**
  - (2) Profits or costs, excluding costs of operating the association, costs of developing audit methodologies, manuals and training courses, and other costs that are immaterial to the firm;**
  - (3) Common business strategy that involves ongoing collaboration amongst the firms whereby the firms are responsible for implementing the association's strategy and are held accountable for performance pursuant to that strategy;**
  - (4) Significant part of professional resources;**
  - (5) Common quality control policies and procedures that participating firms are required to implement and that are monitored by the association.**

*COMMENT: With regard to practice in this State under Section 7(a)(1)(C), 7(a)(2) or 7(a)(3) of the Act, in determining whether a CPA Firm name is misleading, the Board recognizes that it is the policy of this State to promote interstate mobility for CPAs and CPA firms which employ them, and thus also to consider the basis for approval of the same CPA Firm name by another state's board of accountancy.*

**Rule 14-2 - Safe harbor language.**

**Non-licensees may use the following disclaimer language in connection with financial statements to not be in violation of the Act:**

**“I (we) have prepared the accompanying (financial statements) of (name of entity) as of (time period) for the (period) then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management (owners).**

**I (we) have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them.”**

**ARTICLE 23  
SUBSTANTIAL EQUIVALENCY**

**Rule 23-1- Substantial equivalency and internet practice.**

**An individual entering into an engagement to provide professional services via a Web site pursuant to Section 23 shall disclose, via any such Web site, the state of the individual's principal place of business, license number and an address as a means for regulators and the public to contact the individual regarding complaints, questions or regulatory compliance.**

**Rule 23-2 - Practice in other states through substantial equivalency.**

**As a pre-condition for the use of practice privileges in another jurisdiction, any licensee of this Board offering or rendering services in or to another jurisdiction pursuant to practice privileges based upon their license from this Board is deemed to have consented to the administrative jurisdiction of the other state board of accountancy, and is deemed to have consented to the requirements of the Act. The failure by a licensee of this Board to cooperate in another state's board of accountancy's investigation shall be grounds for discipline by this Board.**

**Rule 23-3 – Reporting moral character violations.**

- (a) Any individual using practice privileges in this state, shall notify this Board within thirty (30) days of any occurrence described in Rules 10-1 (a) or 10-1 (b).**
- (b) Any licensee of this state using practice privileges in another state shall notify this Board and the state board of any other state in which said licensee uses practice privileges within thirty (30) days of any occurrence described in Rules 10-1 (a) or 10-1 (b).**

**Rule 23-4 – Continuing professional education requirements for practice privileges.**

**Any individual using practice privileges in this state who complies with the CPE requirements applicable in the state where their principal place of business is located, shall be deemed to have complied with the CPE requirements of this state.**



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## **Recommended Draft Model Rule for Continuing Professional Education (CPE) Requirements**

### **ARTICLE 3 – DEFINITIONS**

#### **Rule 3-4 – Continuing Professional Education (CPE).**

Continuing Professional Education (CPE) is an integral part of the lifelong learning required to provide competent service to the public. It is the set of activities that enables CPAs to maintain and improve their professional competence.

#### **Rule 3-5 - CPE reporting period.**

A “CPE reporting period” is the period of time as to which a licensee must report or attest to the completion of CPE requirements to the Board of Accountancy.

#### **Rule 3-6 - Subject matter expert.**

A “subject matter expert” is a person who is an authority in a particular area or topic. A subject matter expert is involved in developing CPE materials where knowledge expertise is needed.

#### **Rule 3-7 - Technical committee.**

A “technical committee” is a committee that serves as a resource to identify issues regarding the practice of accountancy and develop technical or policy recommendations on those issues.

#### **Rule 3-8 - Technical fields of study.**

“Technical fields of study” are technical subjects that contribute to the competence of a CPA in the profession of accountancy and that directly relate to the CPA’s field of business. These fields of study include, but are not limited to:

- (a) Accounting;
- (b) Accounting (Government);
- (c) Auditing;
- (d) Auditing (Government);
- (e) Business Law;
- (f) Economics;
- (g) Finance;
- (h) Information Technology;
- (i) Management Services;
- (j) Regulatory Ethics;
- (k) Specialized Knowledge;
- (l) Statistics; and

- (m) Taxes.

**Rule 3–9 - Non-technical fields of study.**

“Non-technical fields of study” are subjects that contribute to the competence of a CPA in areas that indirectly relate to the CPA’s field of business. These fields of study include, but are not limited to:

- (a) Behavioral Ethics;
- (b) Business Management & Organization;
- (c) Communications and Marketing;
- (d) Computer Software & Applications;
- (e) Personal Development;
- (f) Personnel/Human Resources; and
- (g) Production.

**ARTICLE 6 – ISSUANCE OF CERTIFICATES AND RENEWAL OF CERTIFICATES AND REGISTRATIONS,  
CONTINUING PROFESSIONAL EDUCATION AND RECIPROCITY**

**Rule 6-1 - Applications.**

No proposed change to current rule. Not within scope of project.

**Rule 6-2 – Experience required for initial certificate.**

No proposed change to current rule. Not within scope of project.

**Rule 6-3 – Evidence of applicant’s experience.**

No proposed change to current rule. Not within scope of project.

**Rule 6-4 – CPE requirements for renewal of the certificate or registration.**

The following requirements of CPE apply to the renewal of certificates and registrations pursuant to Section 6(d) of the Act.

- (a) An applicant seeking renewal of a certificate, registration or license from a Board shall assert in a manner acceptable to the Board, that the applicant for renewal meets all of the following CPE requirements:
  - (1) Completion of qualifying CPE during the CPE reporting period that averages no fewer than forty (40) credits of qualified CPE, including an average of two (2) credits of qualifying ethics CPE, for each annual period included in the CPE reporting period; and
  - (2) Completion of a minimum of twenty (20) credits of qualifying CPE during each annual period included in the CPE reporting period.



- (3) Completion of a minimum of fifty percent (50%) of the total CPE credits required for the CPE reporting period in technical fields of study.

Qualifying subject areas for CPE are categorized as either technical or non-technical fields of study as set forth in Rules 3-8 and 3-9 above. Subjects other than technical and non-technical fields of study may be acceptable for CPE if the licensee can demonstrate to the satisfaction of the Board that such subjects or specific programs contribute to the maintenance of the licensee's professional competence.

(b) A person who obtains a certificate, registration or license for the first time shall complete at least forty (40) credits of acceptable CPE during the first full annual period following the year in which the original certificate, registration or license was obtained. There is no provision for carry-over from an annual period in which CPE was not required.

(c) An applicant whose certificate, registration or license has lapsed or has been suspended shall complete qualifying CPE that averages no fewer than forty (40) credits of qualified CPE, for each annual period included in the CPE reporting period preceding the date of reapplication, not to exceed a total of one hundred twenty (120) credits. An applicant whose certificate or registration has lapsed or has been suspended shall be required to identify and complete a program of learning designed to demonstrate the currency of the licensee's competencies directly related to his or her area of practice.

(d) Licensees granted an exception from the competency requirement by the Board may discontinue use of the word "inactive" or "retired" in association with their license upon showing that they have completed qualifying CPE that averages no fewer than forty (40) credits of qualified CPE for each annual period included in the CPE reporting period preceding the request to discontinue use of the word "inactive" or "retired," not to exceed a total of one hundred twenty (120) credits.

(e) Upon request by the Board, the applicant for renewal shall provide proof of completion or other evidence acceptable to the Board that supports the assertion by the applicant that the applicant has met the CPE renewal requirements. If the Board so requests, the applicant shall also submit an explanation of how any portion of CPE credits for renewal questioned by the Board relate to the applicant's continuing professional competence.

(f) For a certificate, registration or license that has been lapsed, suspended or inactive for a period of five (5) years or more, the Board has the discretion to determine the number and type of CPE credits as a requirement for reinstatement.

**Rule 6-5 –Activities qualifying for CPE credit.**

CPE activities are learning opportunities that contribute directly to a licensee’s knowledge, ability and/or competence to perform his or her professional responsibilities. CPE activities should address the licensee’s current and future work environment, current knowledge and skills and desired or needed knowledge and skills to meet future opportunities and/or professional responsibilities.

(a) The following learning activities shall qualify for CPE credit:

- (1) A learning activity that complies with the Statement on Standards for Continuing Professional Education (CPE) Programs, issued jointly by the AICPA and NASBA, and is coordinated and presented by a qualifying CPE program sponsor as set forth below in Rule 6-5 (b).

The sources of qualifying learning activities include but are not limited to the following:

- (A) Group Programs;
  - (B) Self-Study Programs;
  - (C) Blended Learning Programs;
  - (D) Nano-Learning Programs;
  - (E) Instructor/Developer of CPE programs in (A) through (D) above or in (2) and (4) below;
  - (F) Technical Reviewer of CPE programs in (A) through (D) above or in (2) and (4) below; and
  - (G) Independent Study.
- (2) A college or university course that is coordinated and presented by a qualifying university or college as set forth in Rule 6-5 (b)(2) below, and is in a qualifying subject area as set forth in Rule 6-4 (a) above;

No CPE credit shall be permitted for attending or instructing college or university courses considered to be basic or introductory accounting courses or CPA exam preparation/review courses.

- (3) Authorship of published articles, books and other publications relevant to maintaining professional competence.
- (4) A group learning activity that is coordinated and presented by a person, firm, association, corporation or group, other than a qualifying learning program sponsor as defined in Rule 6-5 (b) below. These programs are generally related

to topics of the specialized knowledge field of study by persons or organizations with expertise in these specialized industries.

- (5) Participation and work on a technical committee of an international, national or state professional association, council or member organization, or a governmental entity that supports professional services or industries that require unique and specific knowledge in accounting or tax compliance.

(b) The following are deemed to be qualifying CPE program sponsors:

- (1) The AICPA and state CPA societies;
- (2) Universities or colleges accredited at the time the CPE program was delivered by virtue of accreditation by an organization recognized by the Council for Higher Education Accreditation as a specialized, professional, or regional accrediting organization;
- (3) Persons, firms, associations, corporations or other groups that are members of NASBA's National Registry of CPE Sponsors; and
- (4) Persons, firms, associations, corporations or other groups that are recognized by the Board.

(c) Acceptable evidence for completion of qualifying learning activities shall include the following:

- (1) For programs or courses as set forth in Rule 6-5 (a) (1) and (2), acceptable evidence should include a certificate of completion or transcript issued by the qualifying learning program sponsor.
- (2) For activities set forth in Rule 6-5 (a) (3), acceptable evidence may include a copy of the publication that names the licensee as author or contributor; a statement from the licensee supporting the number of CPE credits claimed; and the name and contact information of the independent reviewer(s) or publisher.
- (3) For programs or courses as set forth in Rule 6-5 (a) (4), acceptable evidence may include a certificate of attendance or other verification supplied by the program sponsor. If a certificate of attendance or other verification is not available, then acceptable evidence shall include copies of the course agenda, program materials, or other documents attributable to the learning activity.

- (4) For activities set forth in Rule 6-5 (a) (5), acceptable evidence shall include written certificate of the licensee setting forth all of the following:
- (A) The nature of the activity (e.g., topic or specific new competency acquired), the items discussed and the source/materials considered.
  - (B) The dates on which the learning activity occurred.
  - (C) The number of CPE credits attributed to the learning activity.
  - (D) Details of the relevance of the learning activity to the participant's current or future professional development.

**Rule 6-6 – Continuing professional education records.**

**(a) Computation of CPE credits.**

Each approved CPE course, program, or activity shall be measured by program length, with one 50-minute period equal to one CPE credit.

(1) Computation of CPE credits for qualifying CPE programs shall be as follows:

- (A) Group programs, independent study and blended learning programs – A minimum of one credit must be earned initially, but after the first credit has been earned, credits may be earned in one-fifth or one-half increments.
- (B) Self-study – A minimum of one-half credit must be earned initially but after the first credit has been earned, credits may be earned in one-fifth or one-half increments.
- (C) Nano-learning – The credit to be earned for a single nano-learning program is one-fifth credit.
- (D) For blended learning programs included in Rule 6-5 (a)(1)(C), CPE credit must equal the sum of the CPE credit determination for the various completed components of the program.
- (E) An instructor/developer of qualifying CPE programs included in Rule 6-5 (a) (1) (A) through (D) may receive CPE credit for actual preparation time up to two times the number of CPE credits to which participants would be entitled, in addition to the time for presentation. For repeat presentations, CPE credit can be claimed only if it can be demonstrated that the learning activity content was substantially changed and such change required significant additional study or research. Not more than fifty percent (50%) of the total CPE credits required for the CPE reporting period can be claimed for instructor/developer CPE credit.

- (F) A technical reviewer of qualifying CPE programs included in Rule 6-5 (a) (1) (A) through (D) may receive CPE credit for actual review time up to the actual number of CPE credits for the learning activity. For repeat technical reviews, CPE credit can be claimed only if it can be demonstrated that the learning activity content was substantially changed and such change required significant additional study or research. Not more than fifty percent (50%) of the total CPE credits required for the CPE reporting period can be claimed for technical reviewer CPE credit.
- (G) Authors of published articles, books and other publications may receive CPE credit for their research and writing time to the extent it maintains or improves their professional competence. For the author to receive CPE credit, the article, book or CPE program must be formally reviewed by an independent party. Not more than fifty percent (50%) of the total CPE credits required for the CPE reporting period can be claimed for author CPE credit.
- (H) For courses that are part of the curriculum of a university, college or other educational institution, each semester hour credit shall equal fifteen (15) CPE credits, and each quarter hour shall equal ten (10) CPE credits.

For non-credit courses, CPE credit shall equal actual time in class.

CPE credit for instructing a college or university course shall be twice the credit that would have been granted participants for the first presentation of a specific course or program and none thereafter, except if the course content has been substantially revised. To the extent a course has been substantially revised, the revised portion shall be considered a first presentation. Not more than fifty percent (50%) of the total CPE credits required for the CPE reporting period can be claimed for instructor CPE credit.

- (I) Not more than twenty-five percent (25%) of the total qualifying CPE credits for a CPE reporting period may consist of a combination of the learning activities defined in Rule 6-5 (a) (4) and (5).

**(b) CPE records.**

An applicant seeking renewal of a certificate, registration or license from the Board shall, as a prerequisite for such renewal, certify in a manner acceptable to the Board, that the applicant for renewal meets all of the CPE requirements set forth in Rule 6-4 above. Responsibility for documenting the acceptability of the program and the validity of the credits rests with the

applicant who should retain such documentation for the longer of a period of five years or two reporting periods following completion of each learning activity.

The Board will verify, on a test basis, information submitted by applicants for renewal of a certificate, registration or license. In cases where the Board determines that the requirement is not met, the Board may grant an additional period of time in which the deficiencies can be cured or seek disciplinary action, at the Board's discretion. Fraudulent reporting is a basis for disciplinary action.

**Rule 6-7 –CPE Reciprocity.**

A non-resident licensee seeking renewal of a certificate in this state shall be determined to have met the CPE requirement (including the requirements of Rule 6-4(a)) of this rule by meeting the CPE requirements for renewal of a certificate in the state in which the licensee's principal place of business is located.

(a) Non-resident applicants for renewal shall demonstrate compliance with the CPE renewal requirements of the state in which the licensee's principal place of business is located by signing a statement to that effect on the renewal application of this state.

(b) If a non-resident licensee's principal place of business state has no CPE requirements for renewal of a certificate, the non-resident licensee must comply with all CPE requirements for renewal of a certificate in this state.

**Rule 6-8 – Exceptions.**

Not within scope of this task force's project.

**Rule 6-9 – Interstate practice.**

Not within scope of this task force's project.

**Rule 6-10 – International reciprocity.**

Not within scope of this task force's project.

**Rule 6-11 – Peer review for certificate holders who do not practice in a licensed firm.**

Not within scope of this task force's project.

Washington State Board of Accountancy  
Board Member Participation Summary  
2016

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Board Member: \_\_\_\_\_

Number of Board meetings attended: \_\_\_\_\_

Number of consent agreements voted on: \_\_\_\_\_

Board Committees on which served:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Outreach activities for the year:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NASBA participation:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Other Board related activities:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## 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.

Nonauthoritative questions and answers related to form of communication and transfer of client files to another partner in the firm are available in the FAQ document at [www.aicpa.org/InterestAreas/ProfessionalEthics/Resources/Tools/DownloadableDocuments/Ethics-General-FAQs.pdf](http://www.aicpa.org/InterestAreas/ProfessionalEthics/Resources/Tools/DownloadableDocuments/Ethics-General-FAQs.pdf).

## Request Review Committee Report January 2017

Elizabeth Masnari, CPA, Chair

During the fourth quarter 2016, the Executive Director and a Consulting Board Member from the Request Review Committee took the following action:

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 fourth quarter 2016, the Board recognized Mind Edge, Inc. as an educational organization for purposes of obtaining list requests.

Domestic or International Education Credential Evaluation Services – Applications – During the fourth quarter 2016, the 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 for hours 16 or under:
  - 1 denied
- 31 requests for hours 17 or over:
  - 20 approved
  - 11 denied

# 1650 - State Board of Accountancy

## Allotment Expenditure/Revenue RTD Flexible

Report Number: AEF04

Biennium: 2017

As of Fiscal Month: Jan FY2

Date Run: Jan 1, 2017 10:01AM

Account: 021

Allotment Content: Approved & Adjusted

Estimated Revenue Content: Approved & Adjusted

Transactions Through: Dec 30, 2016 8:00PM

Revenue Content: Cash, Accr(all)

Expenditure Content: Cash, Accr(all)

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

	RTD	RTD	RTD	RTD	RTD	RTD	RTD	Biennium
	Allotment	Disbursement	Accrual	Encumbrance	Variance	Remaining		
<b>By Account/Expenditure Authority</b>								
021 - 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	0.00
030 - Salaries and Expenses	2,275,600	1,832,627.26	154.00	0.00	442,818.74	983,218.74		
021 - Certified Public Accountants' Acct	5,575,600	5,132,627.26	154.00	0.00	442,818.74	983,218.74		
<b>Total for Agency</b>	<b>5,575,600</b>	<b>5,132,627.26</b>	<b>154.00</b>	<b>0.00</b>	<b>442,818.74</b>	<b>983,218.74</b>		
<b>By Account/Expenditure Authority</b>								
<b>By Object</b>								
A - Salaries and Wages	1,027,194	906,377.38	0.00	0.00	120,816.62	391,590.62		
B - Employee Benefits	362,370	316,451.71	0.00	0.00	45,918.29	143,327.29		
C - Professional Service Contracts	0	3,829.50	0.00	0.00	(3,829.50)	(3,829.50)		
E - Goods and Other Services	719,891	536,136.38	154.00	0.00	183,600.62	308,572.62		
G - Travel	101,545	48,994.66	0.00	0.00	52,550.34	79,195.34		
J - Capital Outlays	64,600	20,837.63	0.00	0.00	43,762.37	64,362.37		
M - Inter Agency/Fund Transfers	3,300,000	3,300,000.00	0.00	0.00	0.00	0.00		
<b>Total for Agency</b>	<b>5,575,600</b>	<b>5,132,627.26</b>	<b>154.00</b>	<b>0.00</b>	<b>442,818.74</b>	<b>983,218.74</b>		

Fund

Balance As Of:	12/31/2016	Show Balances As Of:	12/31/2016 ▼
Book Balance:	2,152,611.60	<input type="button" value="Retrieve"/>	
Outstanding Warrants:	440.00		
Cash Balance:	2,153,051.60		

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:	12/31/2016	Show Balances As Of:	12/31/2016
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

# Board of Accountancy Washington State

## Enforcement Report

Annual Report (Jan 01, 2016 through Dec 31, 2016)

	Complaints	Investigations	Quarter Total
<b>Ongoing at start of period</b>	6	21	27
<b>Received during period</b>	90		90
Total	96	21	117
<b>Complaints opened as investigations</b>	(46)	46	
Total	50	67	117
<b>Complaints Dismissed (Administrative)</b>	(5)		(5)
<b>Complaints Dismissed (investigated &lt;= 180 days)</b>	(34)		(34)
<b>Complaints Dismissed (investigated &gt; 180 days)</b>	(2)		(2)
Total	9	67	76
<b>Cases Dismissed (Administrative)</b>		(9)	(9)
<b>Cases Dismissed (investigated &lt;= 180 days)</b>		(8)	(8)
<b>Cases Dismissed (investigated &gt; 180 days)</b>		(1)	(1)
Total	9	49	58
<b>Cases Closed (Administrative)</b>		(23)	(23)
<b>Cases Closed (investigated &lt;= 180)</b>		(16)	(16)
<b>Cases Closed (investigated &gt; 180)</b>		0	0
Total	9	10	19

# Board of Accountancy Washington State Enforcement Report

Quarter Report (Sep 30, 2016 through Dec 31, 2016)

	Complaints	Investigations	Period Total
<b>Ongoing at start of period</b>	3	8	11
<b>Received during period</b>	27		27
Total	30	8	38
<b>Complaints opened as investigations</b>	(13)	13	
Total	17	21	38
<b>Complaints Dismissed (Administrative)</b>	(2)		(2)
<b>Complaints Dismissed (investigated &lt;= 180 days)</b>	(6)		(6)
<b>Complaints Dismissed (investigated &gt; 180 days)</b>	0		0
Total	9	21	30
<b>Cases Dismissed (Administrative)</b>		(1)	(1)
<b>Cases Dismissed (investigated &lt;= 180 days)</b>		(2)	(2)
<b>Cases Dismissed (investigated &gt; 180 days)</b>		0	0
Total	9	18	27
<b>Cases Closed (Administrative)</b>		(7)	(7)
<b>Cases Closed (investigated &lt;= 180)</b>		(1)	(1)
<b>Cases Closed (investigated &gt; 180)</b>		0	0
Total	9	10	19