

Board of Accountancy

WASHINGTON STATE



REGULAR BOARD MEETING AGENDA

Date, Time: Friday, July 28, 2017 – 9:00 a.m.
Location: J.A. Cherberg Building, Capitol Campus
Senate Hearing Room 3
304 15th Ave SW
Olympia, WA 98501
(360) 786-7189

Notices: None

Chair Introductions

REGULAR MEETING AGENDA

Attachments at tab:

1. Washington State Executive Ethics Board – Board Member TrainingA
2. Minutes – April 28, 2017, Regular Board MeetingB
3. NASBA Update
 - a. Status of NOCLAR Rule
 - b. Update on CPE Model Rules
 - c. Regional Breakout – California Mobility Sunsets in 2018, Unless They Extend
 - d. Use of Title, AICPA Branding, and Name Addition – Association of International Chartered Professional Accountants, and the title "Chartered Professional Accountant"
 - e. National Trends in Anti-regulation Legislative Activity
4. Rules Review
 - a. WAC 4-30-010 DefinitionsC
 - b. Engrossed House Bill (EHB) 1595D
WAC 4-30-024 What public records are available?.....E
 - c. WAC 4-30-038 FeesF
 - d. WAC 4-30-050 What are the requirements concerning records and clients confidential information?.....G
 - e. WAC 4-30-051 What are the requirements concerning client records, including response to requests by clients and former clients for records?H

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:

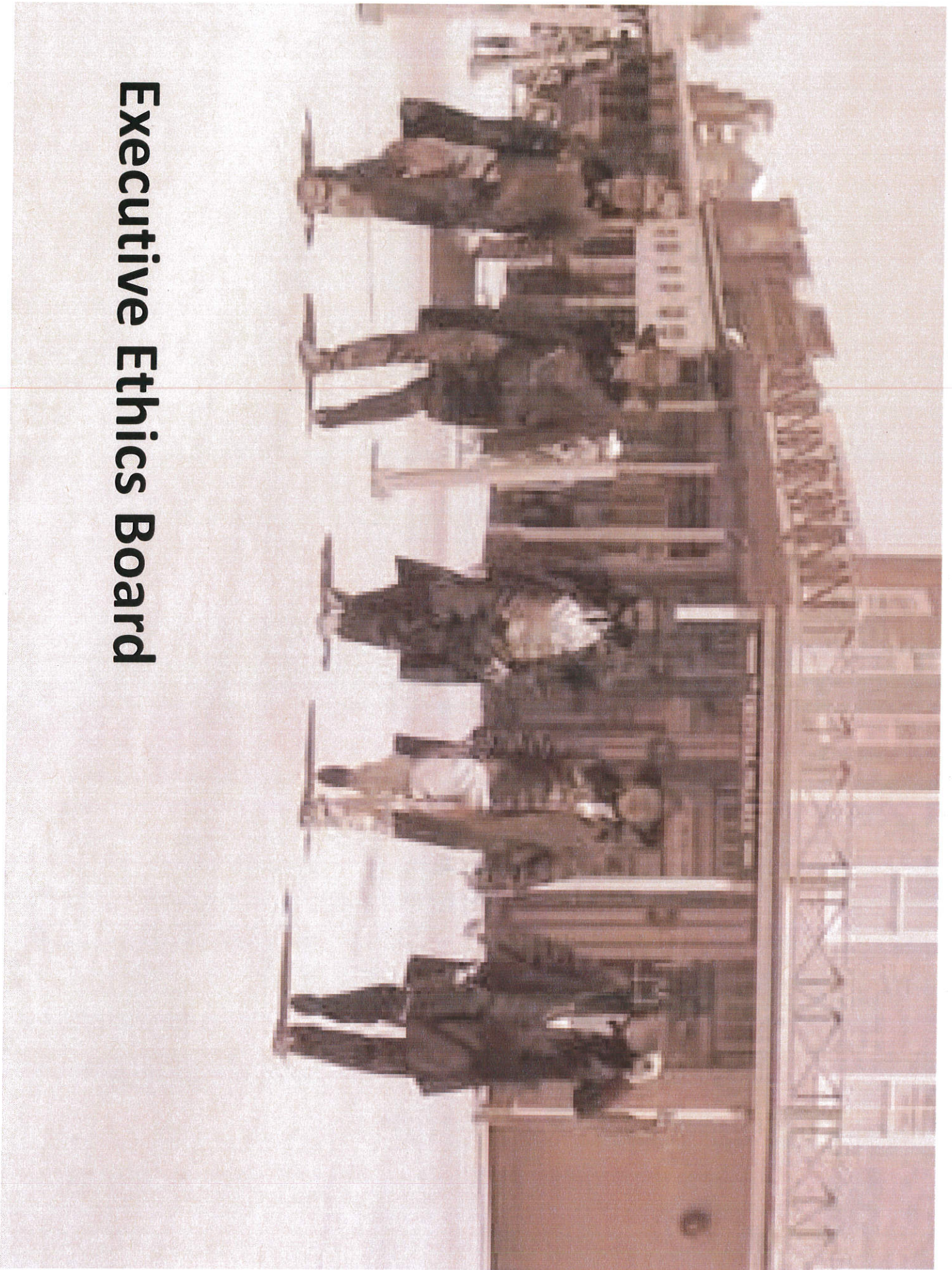
Kirsten Donovan, Washington State Board of Accountancy
PO Box 9131, Olympia, WA 98507-9131
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7-1-1 or 1-800-833-6388 (TTY) - 1-800-833-6385 (Telebraille)
(TTY and Telebraille service nationwide by Washington Relay
www.washingtonrelay.com)

- f. WAC 4-30-140 What are the authority, structure, and processes for investigations and sanctions?I
- 5. Board Policies
 - a. Board Policy 2004-1 Sanction and Penalty GuidelinesJ
 Draft Revisions – Board Policy 2004-1, Administrative Violations GuidelinesK
 - b. Proposed New Policy Discussion – 2017-1 Investigative and Disciplinary ProcessesL
- 6. Delegation of Authority – Discussion of Proposed New Delegation for Filing CR-101s.....M
- 7. Chair’s Report
 - a. Update on Canadian Cross Border Initiative
 - b. Peer Review and Board’s Role in Oversight
 - c. Marijuana Businesses and How to Respond to Questions
 - d. Cloud Storage and Client Records
- 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*.....N
 - 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. Legal Counsel Report
- 10. Executive Director’s Report
 - a. Budget StatusO
 - b. Board’s Response to NASBA/AICPA feedback request regarding CGMA
 - c. Virtual Offices
 - d. Posting of Disciplinary Decisions on the Website
- 11. Enforcement Report.....P
- 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.

Police





Executive Ethics Board

Complaints and

Investigations

- Public
- Agency
- Whistleblower investigations
- Co-worker



Engage in a business or transaction
or professional activity

Incur any
Have a direct
or obligation
financial
interest



CONFLICT
of Interest

You cannot:

With anyone you regulate or contract with

Financial Interest in a Transaction



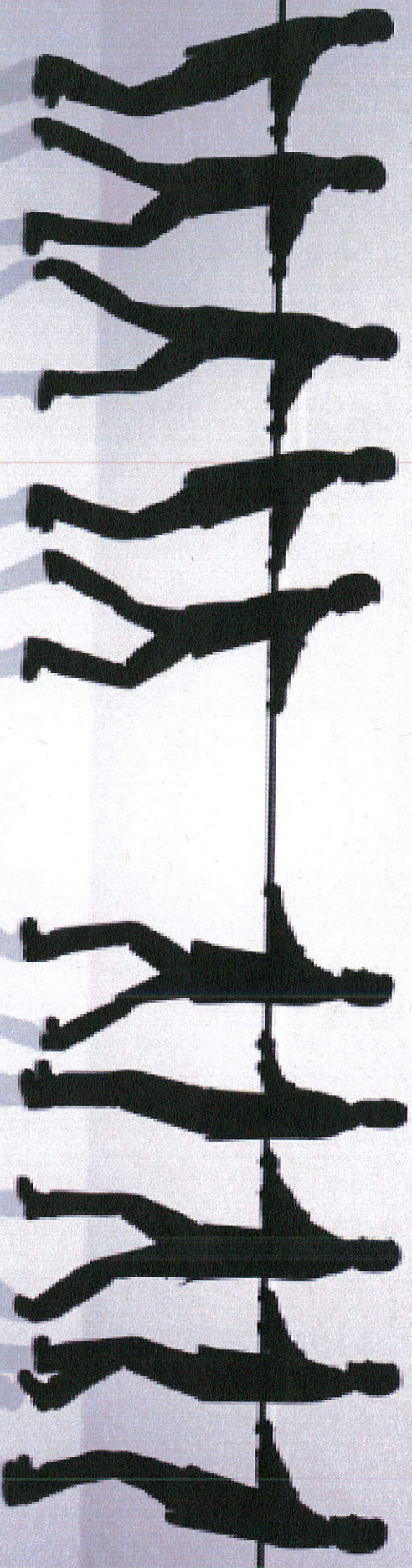
MANAGING CONFLICT OF INTEREST

Abstain

Disclose

Procedures

Screening Memo



Can be anything of economical
value, i.e., Gift, Gratuity, or Favor



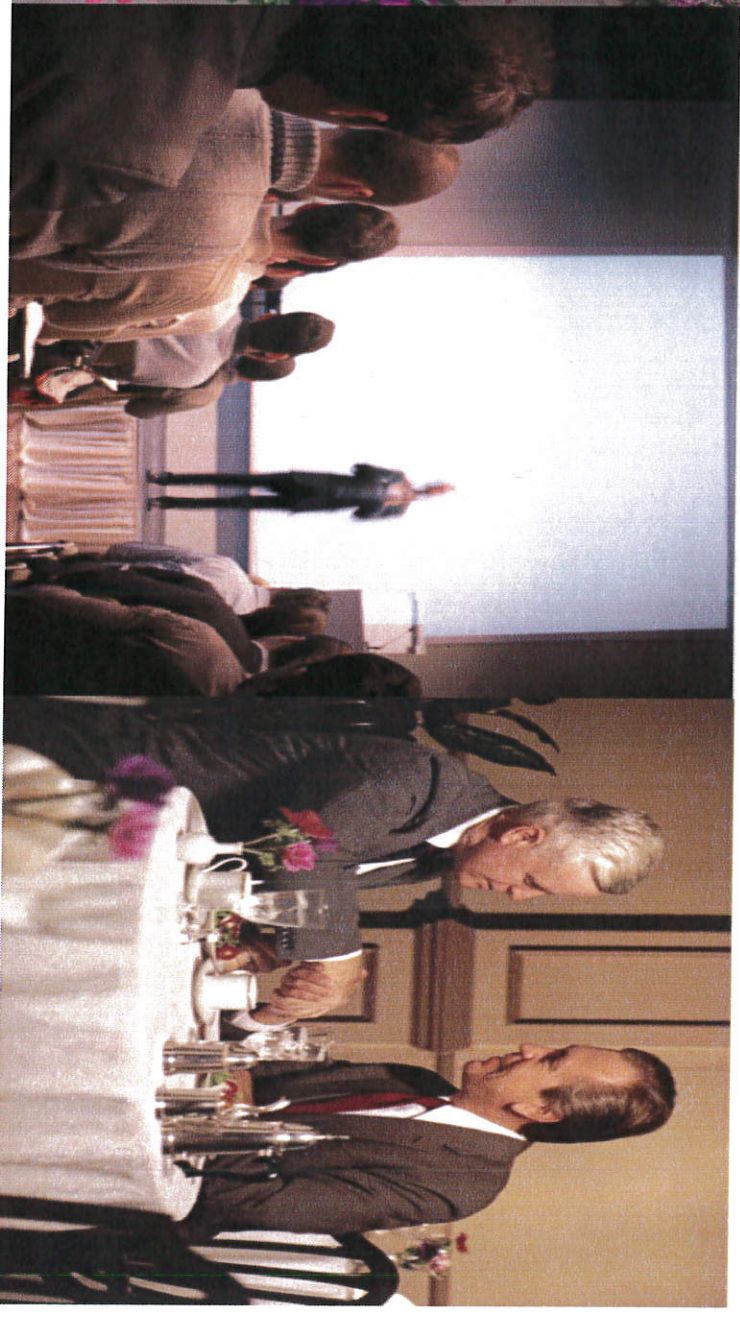
EXCEPTIONS

Token of appreciation,
Gifts between individuals,
Prizes, trophies, awards, etc.
items.

\$50 Rule



Section 4 employees may NOT accept



Flowers

**Travel
expenses**

**Food &
beverages**

POP QUIZ

Your Board approved a contract for XYZ Company to complete work on a multi-million dollar state project. The owner of the XYZ Company attends the next Board meeting to thank the Board and gives you two tickets to the Super Bowl.

Violation?

Yes.

Use of State Resources

RCW 42.52.160(1) – Use of persons, money, or property for private gain, states:

No state officer or state employee may employ or use any person, money, or property under the officer's or employee's official control or direction, or in his or her official custody, for the **private benefit or gain** of the officer, employee, or another.

- Any use occurs infrequently
- Any use is brief
- No interference with official duties
- Little or no cost to the state
 - Not done to support an organization
- Does not support private business
- Does not compromise the security or integrity of state property, information, or software.

What about de minimis use?



POP QUIZ

You arrive at the commission meeting 45 minutes early so you can type a letter to your family in the Midwest. You send the letter to them, via email, as an attachment before the meeting begins.

Violation?

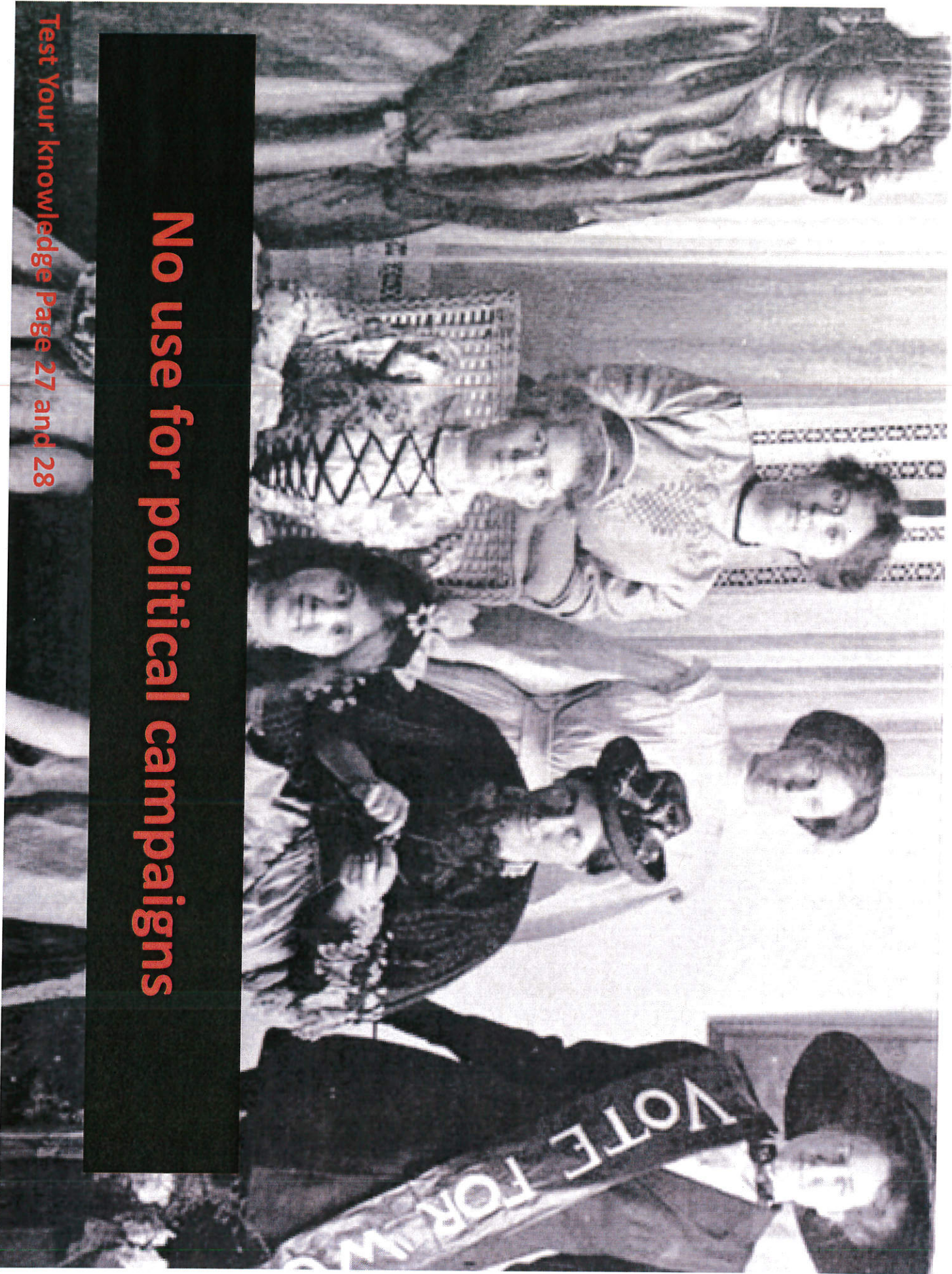
Probably not.

POP QUIZ

You have taken a state car home since you need to leave early in the morning to attend an out of town work related meeting. That evening you have unexpected company and decide to go to dinner and a movie. Your personal car hasn't been running very well so you take the state car.

Violation?

Yes.



No use for political campaigns

Test Your knowledge Page 27 and 28

POP QUIZ

You are passionate about environmental issues and believe everyone must get involved. You bring a copy of an environmental ballot initiative petition to the Board meeting and ask all of the Board members to sign it.

Violation?

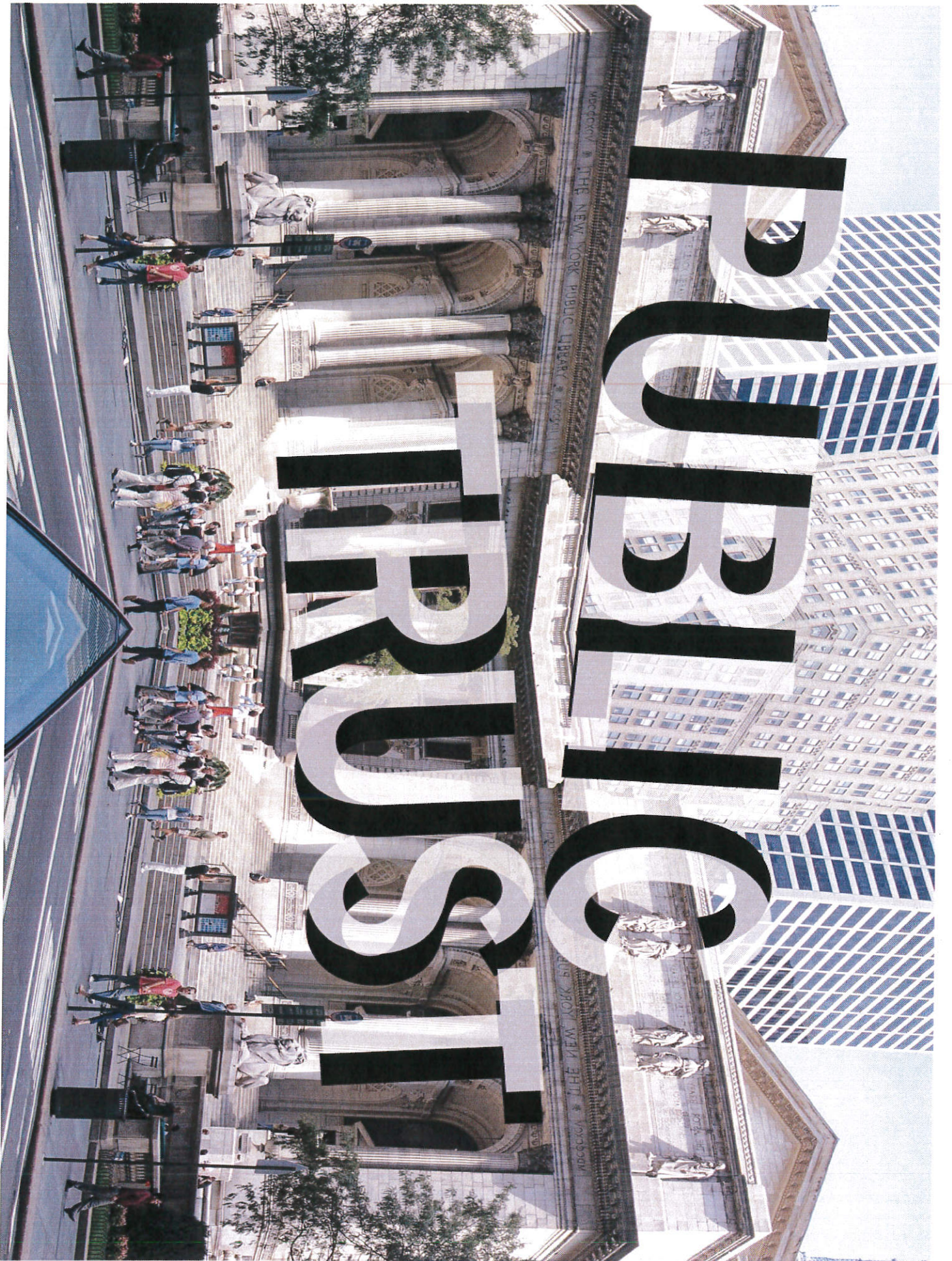
Yes.

POP QUIZ

You're asked by a local politician for your support in their upcoming campaign and they want to use your name and commission title. They come to the commission HQ and take a picture of you standing in front the commission sign to use in their flyers and on Facebook.

Violation?

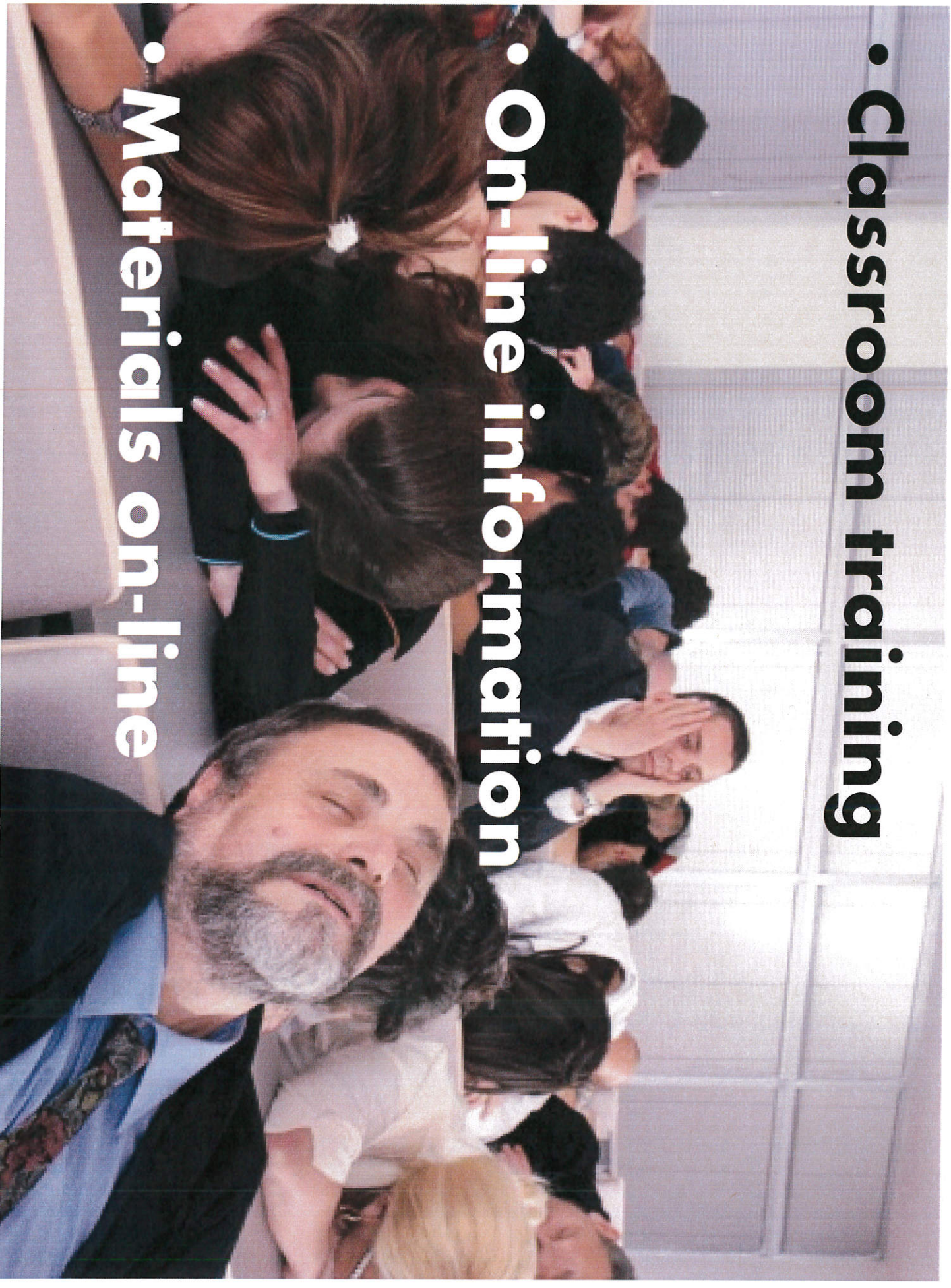
Yes. Use a disclaimer.

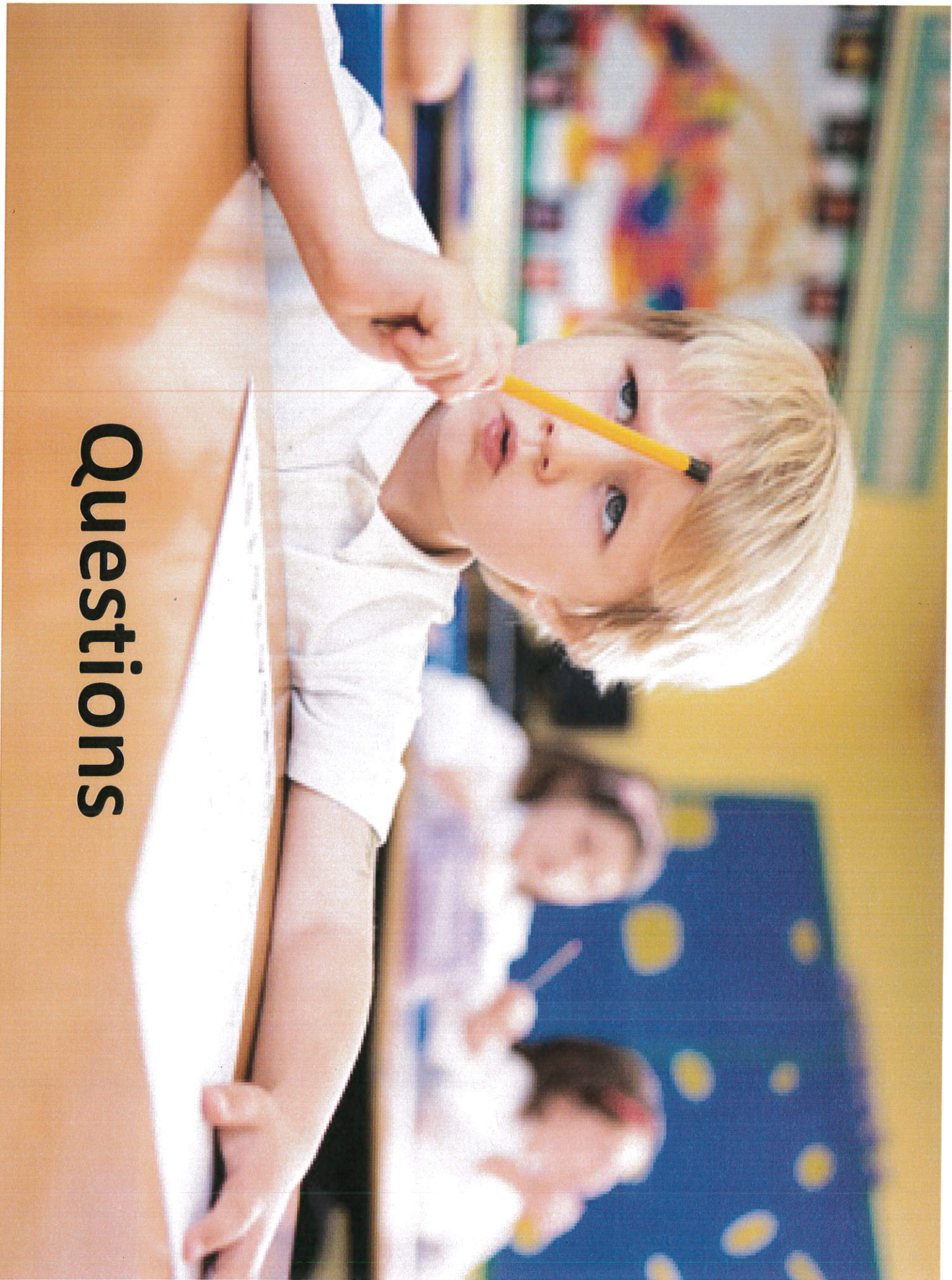


• Classroom training

• On-line information

• Materials on-line





Questions

Executive Ethics Board

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WASHINGTON STATE BOARD OF ACCOUNTANCY

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

Time and Place of Meeting	9:02 a.m. – 12:22 p.m. Friday, April 28, 2017 Central Washington University Barge Hall, Board of Trustees Conference Room 412 400 East University Way Ellensburg, Washington
Attendance	<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 (arrived at 9:07 a.m.) 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 (left at 11:40 a.m.) Jennifer Sciba, Deputy Director Kirsten Donovan, Board Clerk Taylor Shahon, Lead Investigator
Call to Order	Board Chair, Tom Neill, called the regular meeting of the Board to order at 9:02 a.m. The Board Chair excused the absences of Emily Rollins, CPA, Board Member and James R. Ladd, CPA, Board Member.
Minutes – January 27, 2017, Regular Board Meeting	The Board approved the minutes of the January 27, 2017, Board meeting as presented.
Board Policies Annual Review	The Board completed its annual review of all Board policies. The Board voted unanimously to retain the following policies with no revisions: <ul style="list-style-type: none">• 2002-2 Expert Witness Services• 2002-4 International Reciprocity• 2003-1 Safe Harbor Report Language for Use by Non-CPAs• 2004-2 Exam Applicant Disability Documentation and Testing Modification Guidelines• 2011-1 Principles Underlying Board Rules• 2011-2 Interim Policy Guidelines Pending Rule Changes

- 2012-1 Social Media
- 2015-1 Board Member Travel and Attendance at Group Gatherings

Board Policy 2002-1, Substantially Equivalent Jurisdictions

The Deputy Director led the discussion on the policy. The information contained in the policy has been incorporated into Board Rule due to the passage of both individual and firm mobility making the policy redundant.

The Board voted unanimously to retire Board Policy 2002-1, Substantially Equivalent Jurisdictions, effective immediately.

Board Policy 2004-1, Sanction and Penalty Guidelines

The Executive Director provided a handout and led the discussion on possible revisions to the policy. The Executive Director will prepare and email a revised policy draft to the Board Members for their comments. Comments are requested by May 31, 2017. The revised policy draft will be an agenda item for discussion at the next Board meeting.

Rules Review

WAC 4-30-140 What are the authority, structure, and processes for investigations and sanctions?

The Executive Director led the discussion on possible revisions to the rule in conjunction with his discussion on revisions to Board Policy 2004-1.

The Executive Director will prepare and email a revised rule draft to the Board Members for their comments by return email to the Executive Director only, without cc'ing the other Board Members. Comments are requested by May 31, 2017. The revised rule draft will be an agenda item for discussion at the next Board meeting.

The Board directed staff to add Board Rule, WAC 4-30-140 to the Semi-Annual Rule-Making Agenda to be filed with the Office of the Code Reviser in June 2017.

WAC 4-30-050 and WAC 4-30-051 Board Discussion

Mark Hugh led the discussion on possible revisions to the rules to make them more closely align with the AICPA Code. The specific items considered were:

- Defining authorized persons
- Affirmative versus implied consent for transfer of records
- Disclosing information to third party service providers – parts one and two
- Withholding records for outstanding fees
- Electronic records

The Board directed staff to add Board Rules, WAC 4-30-050 and WAC 4-30-051 to the Semi-Annual Rule-Making Agenda to be filed with the Office of the Code Reviser in June 2017.

Legal Counsel's Report

Bruce Turcott, the Board's legal counsel, reported on the following legislation:

- 2SHB 1120 concerning the Regulatory Fairness Act
- HB 1352 concerning small business issues
- SSB 5374 concerning the Whistleblower Protect Act
- Also, 2 significant public records bills of general applicability passed and were sent to the Governor

The Executive Director commented on:

- Effective agency rules on small business
- Regulatory reform bills, which did not pass
- Office of Administrative Hearings legislation, which did not pass

Chair's Report

Non-compliance with Laws and Regulations

The NASBA Ethics Committee reviewed the AICPA's draft proposal and felt that there were many inconsistencies. The Ethics Committee proposed that the draft be pulled and sent back to the UAA committee.

Status of UAA Recommended Draft Model Rule for Continuing Professional Education (CPE) Requirements

The Chair reported that he has not yet heard on the status of the draft Model Rule.

NASBA Ethics Committee Update on Withholding Records Pending Payment

This item was discussed earlier in the meeting in conjunction with the rules review discussion.

UAA Committee Update on the Chartered Global Management Accountant (CGMA) Designation

The Chair commented that the designation is authorized per WAC 4-30-058. Other state boards may not authorize the use of the title, and CPAs are responsible for checking with the other boards if they will be practicing in that state. The topic will be discussed at the NASBA regional meetings.

Executive Committee

The Chair reported that he and the other committee members had a teleconference to discuss the Board meeting agenda.

Compliance Assurance Oversight Committee

Karen Saunders reported on the 2016 Annual Report of AIPCA Peer Review Program Administered by the Washington Society of Certified Public Accountants (WSCPAs).

Legislative Review Committee

Favian Valencia had nothing to report.

Quality Assurance Committee

Tom Neill reported on the results of the 2016 Continuing Professional Education (CPE) Audit.

Request Review Committee

Elizabeth Masnari reported:

Firm Names: *Approved:*

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

Professional/Educational Organization – Recognition Requests

During the 1st quarter 2017, 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 1st quarter 2017, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

State Ethics Compliance Committee

Tom Neill advised that the committee had nothing to report.

Qualifications Committee

Rajib Doogar reported that the committee members had a teleconference to discuss the committee's agenda for the coming year. Topics included:

- Research impact of newly revised AICPA CPE standards and the potential revision of WAC 4-30-132
- Consideration of military transcripts/education credits to be treated similar to foreign education
- Keeping abreast of developments in other jurisdictions and NASBA regarding Chartered Accountants

Performance Review and Succession Committee

Joel Cambern had nothing to report.

Social Media Committee

Favian Valencia deferred to the Deputy Director to report and lead the discussion. Discussion items included:

- The high level business plan for social media
- A Survey Monkey poll is on the website to inquire on the use of Facebook to follow professional organizations
- Possible expansion of the semi-annual Board newsletter

The Board directed staff to prepare a communications proposal for discussion at the next Board meeting.

WSCPA Education Fund Committee

Elizabeth Masnari had nothing to report.

Executive and/or Closed Session with Legal Counsel

An executive session was held from 11:31 - 11:40 a.m. regarding potential litigation under RCW 42.30.110(1)(i).

Executive Director's Report

2017-2019 Proposed Budget Update

The Executive Director advised the Board of a possible government shut-down if the legislature does not approve a budget. He stated that the agency will be fine with either version of the budget being considered.

Bills Passed by the Legislature Regarding Small Business

This item was covered during the Legal Counsel's Report section of the agenda.

Results Washington – Measure Development Related to Pipeline

The Executive Director will give a presentation on the CPA pipeline at the Goal Council Meeting - Prosperous Economy with the Deputy Director.

Canada Cross-border Initiative

The Executive Director is drafting a preliminary agreement to establish the relationship.

Other Issues

Board Members, Tom Neill and Favian Valencia, terms expire in June. Both intend on submitting applications for reappointment.

Enforcement Report

Taylor Shahon provided the following report to the Board:

- Enforcement Report – Quarter Report (Jan 01, 2017 through Mar 31, 2017)

Taylor Shahon reported on enforcement activities for the first quarter 2017:

- Current caseload stands at 8 cases
- Generally an increase in complaints occurs after tax season
- Dismissed case review – Karen volunteered to serve as the

next reviewer

Public Input

Ed Clark, CPA, addressed the Board on matters concerning:

- The profession's transparency obligation
- Regulatory burden
- CPA sanctions
- Financial consequences to clients who have been harmed by their CPA
- Record retention policy

Ed also offered to provide his input and services if the Board would like them.

Rich Jones, CPA, President and CEO, Washington Society of CPAs, WSCPA, addressed the Board on the following:

- Encouraged the Board to establish a reasonable statute of limitations
- Advised that Tom Neill will receive the WSCPA Lifetime Achievement Award at the annual meeting on June 13
- Noted that he has enjoyed the last 12 years working closely with the Board

Kimberly Scott, Vice President of Government and Member Relations, WSCPA, provided a scholarship update:

- Number of application reviewers is up to 55
- 60 scholarships awarded this year in the amount of \$5,000 each
 - 40 female recipients
 - 20 male recipients
- 12 colleges or universities represented by scholarship recipients
- Scholarship recipients' reception being held on May 18

Kimberly also invited Board Members and staff to attend Rich Jones's retirement party being held May 11.

Adjournment

The Board meeting adjourned at 12:22 p.m.

Secretary

Chair

Vice-Chair

Member

Member

Member

Member

Member

Member

WAC 4-30-010 Definitions. For purposes of these rules the following terms have the meanings indicated unless a different meaning is otherwise clearly provided in these rules:

~~(1)~~ **"Act"** means the Public Accountancy Act codified as chapter 18.04 RCW.

~~(2)~~ **"Active individual participant"** means an individual whose primary occupation is at the firm or affiliated entity's business. An individual whose primary source of income from the business entity is provided as a result of passive investment is not an active individual participant.

~~(3)~~ **"Affiliated entity"** means any entity, entities or persons that directly or indirectly through one or more relationships influences or controls, is influenced or controlled by, or is under common influence or control with other entities or persons. This definition includes, but is not limited to, parents, subsidiaries, investors or investees, coinvestors, dual employment or management in joint ventures or brother-sister entities.

~~(4)~~ **"Applicant"** means an individual who has applied:

- (a) To take the national uniform CPA examination;

(b) For an initial individual license, an initial firm license, or initial registration as a resident nonlicensee owner;

(c) To renew an individual license, a CPA-Inactive certificate, a CPA firm license, or registration as a resident nonlicensee firm owner;

(d) To reinstate an individual license, a CPA-Inactive certificate, registration as a resident nonlicensee firm owner, or practice privileges.

~~(5)~~ **"Attest"** means providing the following services:

(a) Any audit or other engagement to be performed in accordance with the statements on auditing standards;

(b) Any review of a financial statement to be provided in accordance with the statements on standards for accounting and review services;

(c) Any engagement to be performed in accordance with the statements on standards for attestation engagements; and

(d) Any engagement to be performed in accordance with the public company accounting oversight board auditing standards.

~~(6)~~ **"Audit," "review,"** and **"compilation"** are terms reserved for use by licensees, as defined in subsection (30) of this section.

"Authorized person" means a person who is designated or has held out as the client's representative, such as a general partner, tax matters partner, majority shareholder, spouse, agent, or apparent agent.

~~(7)~~ **"Board"** means the board of accountancy created by RCW 18.04.035.

~~(8)~~ **"Breach of fiduciary responsibilities/duties"** means when a person who has a fiduciary responsibility or duty acts in a manner adverse or contrary to the interests of the person to whom they owe the fiduciary responsibility or duty. Such actions would include profiting from their relationship without the express informed consent of the beneficiary of the fiduciary relationship, or engaging in activities that represent a conflict of interest with the beneficiary of the fiduciary relationship.

~~(9)~~ **"Certificate"** means a certificate as a CPA-Inactive issued in the state of Washington prior to July 1, 2001, as authorized by the act, unless otherwise defined in rule.

~~(10)~~ **"Certificate holder"** means the holder of a valid CPA-Inactive certificate where the individual is not a licensee and is prohibited from practicing public accounting.

~~(11)~~ "**Client**" means the person or entity that retains a licensee, as defined in subsection (30) of this section, a CPA-Inactive certificate holder, a nonlicensee firm owner of a licensed firm, or an entity affiliated with a licensed firm to perform professional services through other than an employer/employee relationship.

~~(12)~~ "**Commissions and referral fees**" are compensation arrangements where the primary contractual relationship for the product or service is not between the client and licensee, as defined in subsection (30) of this section, CPA-Inactive certificate holder, nonlicensee firm owner of a licensed firm, or a person affiliated with a licensed firm; and

(a) Such persons are not primarily responsible to the client for the performance or reliability of the product or service; or

(b) Such persons add no significant value to the product or service; or

(c) A third party instead of the client pays the persons for the products or services.

~~(13)~~ "**Compilation**" means providing a service to be performed in accordance with statements on standards for accounting and review services that is presenting in the form of financial statements, infor-

mation that is the representation of management (owners) without undertaking to express any assurance on the statements.

~~(14)~~ "**Contingent fees**" are fees established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service.

~~(15)~~ "**CPA**" or "**certified public accountant**" means an individual holding a license to practice public accounting under chapter 18.04 RCW or recognized by the board in the state of Washington, including an individual exercising practice privileges pursuant to RCW 18.04.350(2).

~~(16)~~ "**CPA-Inactive**" means an individual holding a CPA-Inactive certificate recognized in the state of Washington. An individual holding a CPA-Inactive certificate is prohibited from practicing public accounting and may only use the CPA-Inactive title if they are not offering accounting, tax, tax consulting, management advisory, or similar services to the public.

~~(17)~~ "**CPE**" means continuing professional education.

~~(18)~~ "**Fiduciary responsibility/duty**" means a relationship wherein one person agrees to act solely in another person's interests. Persons

having such a relationship are fiduciaries and the persons to whom they owe the responsibility are principals. A person acting in a fiduciary capacity is held to a high standard of honesty and disclosure in regard to a principal. Examples of fiduciary relationships include those between broker and client, trustee and beneficiary, executors or administrators and the heirs of a decedent's estate, and an officer or director and the owners of the entity.

~~(19)~~ **"Firm"** means a sole proprietorship, a corporation, or a partnership. "Firm" also means a limited liability company or partnership formed under chapters 25.15 and 18.100 RCW and a professional service corporation formed under chapters 23B.02 and 18.100 RCW.

~~(20)~~ **"Firm mobility"** means an out-of-state firm that is not licensed by the board and meets the requirements of RCW 18.04.195 (1)(a)(iii)(A) through (D) exercising practice privileges in this state.

~~(21)~~ **"Generally accepted accounting principles"** (GAAP) is an accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of general application, but also detailed practices and procedures. Those conventions, rules, and pro-

cedures provide a standard by which to measure financial presentations.

~~(22)~~—"Generally accepted auditing standards" (GAAS) are guidelines and procedures, promulgated by the AICPA, for conducting individual audits of historical financial statements.

~~(23)~~—"Holding out" means any representation to the public by the use of restricted titles as set forth in RCW 18.04.345 by a person that the person holds a license or practice privileges under the act and that the person offers to perform any professional services to the public. "Holding out" shall not affect or limit a person not required to hold a license under the act from engaging in practices identified in RCW 18.04.350.

~~(24)~~—"Inactive" means the individual held a valid certificate on June 30, 2001, has not met the current requirements of licensure and has been granted CPA-Inactive certificate holder status through the renewal process established by the board. A CPA-Inactive may not practice public accounting nor may the individual use the CPA-Inactive title if they are offering accounting, tax, tax consulting, management advisory, or similar services to the public.

~~(25)~~—"Individual" means a living, human being.

~~(26)~~ **"Independence"** means an absence of relationships that impair a licensee's impartiality and objectivity in rendering professional services for which a report expressing assurance is prescribed by professional standards.

~~(27)~~ **"Interactive self-study program"** means a CPE program that provides feedback throughout the course.

~~(28)~~ **"IRS"** means Internal Revenue Service.

~~(29)~~ **"License"** means a license to practice public accounting issued to an individual or a firm under the act or the act of another state.

~~(30)~~ **"Licensee"** means an individual or firm holding a valid license to practice public accounting issued under the act, including out-of-state individuals exercising practice privileges in this state under RCW 18.04.350(2) and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195 (1)(a) and (b).

~~(31)~~ **"Manager"** means a manager of a limited liability company licensed as a firm under the act.

~~(32)~~ **"NASBA"** means the National Association of State Boards of Accountancy.

~~(33)~~ **"Nonlicensee firm owner"** means an individual, not licensed in any state to practice public accounting, who holds an ownership interest in a firm permitted to practice public accounting in this state.

~~(34)~~ **"PCAOB"** means Public Company Accounting Oversight Board.

~~(35)~~ **"Peer review"** means a study, appraisal, or review of one or more aspects of the attest or compilation work of a licensee or licensed firm in the practice of public accounting, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed, including a peer review, or any internal review or inspection intended to comply with quality control policies and procedures, but not including the "quality assurance review" under subsection (38) of this section.

~~(36)~~ **"Person"** means any individual, nongovernmental organization, or business entity regardless of legal form, including a sole proprietorship, firm, partnership, corporation, limited liability company, association, or not-for-profit organization, and including the sole proprietor, partners, members, and, as applied to corporations, the officers.

~~(37)~~ **"Practice privileges"** are the rights granted by chapter 18.04 RCW to a person who:

(a) Has a principal place of business outside of Washington state;

(b) Is licensed to practice public accounting in another substantially equivalent state;

(c) Meets the statutory criteria for the exercise of privileges as set forth in RCW 18.04.350(2) for individuals or RCW 18.04.195 (1)(b) for firms;

(d) Exercises the right to practice public accounting in this state individually or on behalf of a firm;

(e) Is subject to the personal and subject matter jurisdiction and disciplinary authority of the board in this state;

(f) Must comply with the act and all board rules applicable to Washington state licensees to retain the privilege; and

(g) Consents to the appointment of the issuing state board of another state as agent for the service of process in any action or proceeding by this state's board against the certificate holder or licensee.

~~(38)~~ **"Principal place of business"** means the office location designated by the licensee for purposes of substantial equivalency and reciprocity.

~~(39)~~—"Public practice" or the "practice of public accounting" means performing or offering to perform by a person or firm holding itself out to the public as a licensee, or as an individual exercising practice privileges, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of "reports," or one or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters. The "practice of public accounting" shall not include practices that are permitted under the provisions of RCW 18.04.350(10) by persons or firms not required to be licensed under the act.

~~(40)~~—"Quality assurance review or QAR" is the process, established by and conducted at the direction of the board, to study, appraise, or review one or more aspects of the audit, compilation, review, and other professional services for which a report expressing assurance is prescribed by professional standards of a licensee or licensed firm in the practice of public accounting, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed.

~~(41)~~—"Reciprocity" means board recognition of licenses, permits, certificates or other public accounting credentials of another juris-

diction that the board will rely upon in full or partial satisfaction of licensing requirements.

~~(42)~~ **"Referral fees"** see definition of "commissions and referral fees" in subsection (12) of this section.

~~(43)~~ **"Report,"** when used with reference to any attest or compilation service, means an opinion, report, or other form of language that states or implies assurance as to the reliability of the attested information or compiled financial statements and that also includes or is accompanied by any statement or implication that the person or firm issuing it has special knowledge or competence in the practice of public accounting. Such a statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that the person or firm is involved in the practice of public accounting, or from the language of the report itself. "Report" includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply any positive assurance as to the reliability of the attested information or compiled financial statements referred to and/or special competence of the part of the person or firm issuing such language; and it includes any other form of language that is conventionally understood to imply such assurance and/or such special knowledge or competence. "Report"

does not include services referenced in RCW 18.04.350 (10) or (11) provided by persons not holding a license under this chapter as provided in RCW 18.04.350(14).

~~(44)~~—"Representing oneself" means having a license, practice privilege, certificate or registration that entitles the holder to use the title "CPA," "CPA-Inactive," or be a nonlicensee firm owner.

~~(45)~~—"Rules of professional conduct" means rules adopted by the board to govern the conduct of licensees, as defined in subsection (30) of this section, while representing themselves to others as licensees. These rules also govern the conduct of CPA-Inactive certificate holders, nonlicensee firm owners, and persons exercising practice privileges pursuant to RCW 18.04.350(2).

~~(46)~~—"SEC" means the Securities and Exchange Commission.

~~(47)~~—"Sole proprietorship" means a legal form of organization owned by one person meeting the requirements of RCW 18.04.195.

~~(48)~~—"State" includes the states and territories of the United States, including the District of Columbia, Puerto Rico, Guam, and the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands at such time as the board determines that the Commonwealth of the Northern Mariana Islands is issuing licenses under the substantially equivalent standards of RCW 18.04.350 (2)(a).

~~(49)~~ "**Statements on auditing standards (SAS)**" are interpretations of the generally accepted auditing standards and are issued by the Auditing Standards Board of the AICPA. Licensees are required to adhere to these standards in the performance of audits of financial statements.

~~(50)~~ "**Statements on standards for accounting and review services (SSARS)**" are standards, promulgated by the AICPA, to give guidance to licensees who are associated with the financial statements of nonpublic companies and issue compilation or review reports.

~~(51)~~ "**Statements on standards for attestation engagements (SSAE)**" are guidelines, promulgated by the AICPA, for use by licensees in attesting to assertions involving matters other than historical financial statements and for which no other standards exist.

[Statutory Authority: RCW 18.04.055. WSR 16-17-036, § 4-30-010, filed 8/9/16, effective 9/9/16. Statutory Authority: 18.04.055, 18.04.025, 18.04.350. WSR 10-24-009, amended and recodified as § 4-30-010, filed 11/18/10, effective 12/19/10. Statutory Authority: RCW 18.04.055, 18.04.025. WSR 08-18-016, § 4-25-410, filed 8/25/08, effective 9/25/08. Statutory Authority: RCW 18.04.055. WSR 05-01-137, § 4-25-410, filed 12/16/04, effective 1/31/05; WSR 03-24-033, § 4-25-410, filed 11/25/03, effective 12/31/03. Statutory Authority: RCW

18.04.055(16). WSR 02-04-064, § 4-25-410, filed 1/31/02, effective 3/15/02. Statutory Authority: RCW 18.04.055(11). WSR 01-11-124, § 4-25-410, filed 5/22/01, effective 6/30/01; WSR 98-12-020, § 4-25-410, filed 5/27/98, effective 6/27/98; WSR 94-23-071, § 4-25-410, filed 11/15/94, effective 12/16/94.]

Summary of EHB 1595
(Concerning Costs Associated With Responding to Public Records Requests)

[Chap. 304, 2017 Laws. Act is effective July 23, 2017. Summary only – see bill for details.]

COPY FEES

- **ACTUAL COSTS - COPYING FEES - ELECTRONIC RECORDS; HEARING.** Section 1 amends RCW 42.56.070(7) in the Public Records Act (PRA) to provide that:
 - Agencies may establish a statement of the actual costs that it charges for photocopies and now to include “electronically produced copies.”
 - “Actual costs” for copies may now also include the “actual cost of the electronic production or file transfer of the record and the use of any cloud-based data storage processing service” and the cost of transmitting electronic records (including the use of a physical media device).
 - The statement of costs may be adopted only after providing notice and a public hearing.
- **ACTUAL COSTS - COPYING FEES – CALCULATIONS.** Section 3 amends RCW 42.56.120 to provide that when calculating copy fees, “the agency shall use the most reasonable cost-efficient method available to the agency.” It also provides that actual costs may be imposed only in accordance with RCW 42.56.070(7) (see amendments in Section 1), and in accordance with the statement of factors and manner used to determine actual costs.
- **ACTUAL COSTS - CUSTOMIZED SERVICE CHARGE.** Section 3 amends RCW 42.56.120 to provide that an agency may additionally impose the actual costs of a “customized service charge” when the request would require the use of IT expertise to prepare data compilations or when such customized access services are not used by the agency for other business purposes. The agency must notify the requester and take other steps if it will be doing a customized service. An agency can require an advance 10 percent deposit.
- **ACTUAL COSTS VS. PRA DEFAULT FEE SCHEDULE – RULE DECLARATION.** Section 3 amends RCW 42.56.120 to provide that an agency need not calculate actual copying costs “if it has rules or regulations declaring the reasons doing so would be unduly burdensome.” In that case, the agency can use the PRA default fee schedule. See next bullet.
- **PRA DEFAULT FEE SCHEDULE.** Section 3 amends RCW 42.56.120 to provide a PRA default copying fee schedule (including an optional flat fee), under which the agency may charge:

PRA Fee Schedule	
Actual cost	Customized service charge (in addition to fees for copies – see copying fees below).
Copies:	
15 cents /page	Photocopies, printed copies of electronic records when requested by the requester, or for the use of agency equipment to make photocopies.
10 cents /page	Scanned records, or use of agency equipment for scanning.
5 cents /each 4 electronic files or attachment	Records uploaded to email, or cloud-based data storage service, or other means of electronic delivery.
10 cents /gigabyte	Records transmitted in electronic format or for use of agency equipment to send records electronically.
Actual cost	Digital storage media or devices.
Actual cost	Any container or envelope used to mail copies.
Actual cost	Postage or delivery charges.
↑ <i>Copy charges above may be combined to the extent more than one type of charge applies to copies responsive to a particular request</i>	
Option for Copies:	
Up to \$2 flat fee	As an alternative to the copy charges above, an agency may charge a flat fee of up to \$2 for any request when the agency reasonably estimates and documents that the costs are equal to or more than \$2. If applied to the initial installment, additional flat fees shall not be charged for subsequent installments.

Summary of EHB 1595 (Cont.)

[Chap. 304, 2017 Laws. Act is effective July 23, 2017. Summary only – see bill for details.]

COPY FEES (cont.)

- **NO FEE - RECORDS ROUTINELY POSTED ON AGENCY WEB SITE.** Section 3 amends RCW 42.56.120 to provide that an agency shall not charge for access to or downloading of records it routinely posts on its web site prior to the receipt of a request, unless the requester has specifically asked that the agency provide records through other means.
- **FEE ESTIMATE.** Section 3 amends RCW 42.56.120 to provide that upon request an agency must provide a summary of the applicable charges before copies are made and the requester may revise the request to reduce the number of copies, thus the applicable charges. See also Section 5 (new court action challenging estimate of fees, amending RCW 42.56.550).
- **FEE WAIVER - RULES.** Section 3 amends RCW 42.56.120 to provide that an agency may waive any charge “pursuant to agency rules and regulations.”
- **OTHER FEE ARRANGEMENTS.** Section 3 amends RCW 42.56.120 to provide that an agency may enter into a contract, memorandum of understanding or other agreement with a requester for an alternative fee arrangement, or in response to a voluminous or frequently occurring request.
- **FEES IN OTHER STATUTES.** Section 4 amends RCW 42.56.130, which provides that PRA fees in RCW 42.56.070(7) and (8) and 42.56.120 do not supersede other statutory provisions for copying fees, and the amendment extends that provision to electronically produced copies.
- **NEW COURT ACTION – CHALLENGING FEE ESTIMATE.** Section 5 amends RCW 42.56.550 to permit a requester to file a superior court motion when the requester believes the agency has not made a “reasonable estimate of the charges to produce copies of public records.”

RECORDS PROCEDURES

- **REQUESTS – FORMAT.** Section 2 amends RCW 42.56.080 to provide that “No official format is required for making a records request; however, agencies may recommend that requestors submit requests using an agency provided form or web page.”
- **REQUESTS – BOTS.** Section 2 amends RCW 42.56.080 to provide that an agency may deny a “bot” request (a request that an agency reasonably believes was automatically generated by a computer program or script), when it is one of multiple requests from the requester received within a 24 hour period. The agency must establish that responding would cause excessive interference with other agency essential functions.
- **REQUESTS - IDENTIFIABLE RECORDS.** Section 2 amends RCW 42.56.080 to provide that PRA requests must be for “identifiable” records. A request for all or substantially all of an agency’s records is not a valid PRA request, “provided that a request for all records regarding a particular topic or containing a particular keyword or name shall not be considered a request for all of an agency’s records.”
- **REQUESTS – RECEIPT.** Section 2 amends RCW 42.56.080 to require agencies to honor PRA requests received “in person during an agency’s normal office hours” or by email.
- **PROVIDING COPIES - ELECTRONIC RECORD TRANSLATIONS, PAPER SCANS.** Section 3 amends RCW 42.56.120 to provide that translating a record into an alternative electronic format at the request of the requester or scanning a paper record is not creating a new record.

CERTIFICATION OF ENROLLMENT

ENGROSSED HOUSE BILL 1595

Chapter 304, Laws of 2017

65th Legislature
2017 Regular Session

PUBLIC RECORDS REQUESTS--FEES--IDENTIFIABLE RECORDS--BOT REQUESTS

EFFECTIVE DATE: 7/23/2017

Passed by the House April 17, 2017
Yeas 80 Nays 18

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 7, 2017
Yeas 43 Nays 4

CYRUS HABIB

President of the Senate

Approved May 16, 2017 10:40 AM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED HOUSE BILL 1595** as passed by House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

May 16, 2017

**Secretary of State
State of Washington**

ENGROSSED HOUSE BILL 1595

AS AMENDED BY THE SENATE

Passed Legislature - 2017 Regular Session

State of Washington

65th Legislature

2017 Regular Session

By Representatives Nealey, McBride, Senn, Springer, Koster, Klippert, Dye, Schmick, J. Walsh, Haler, Mahweller, Harris, Dent, Peterson, Bergquist, Gregerson, Clibborn, Fey, Fitzgibbon, Dolan, Wilcox, Lytton, Griffey, Hayes, Muri, Goodman, Robinson, Sells, Steele, Kraft, Smith, Tharinger, Stanford, Kloba, Jenkins, Hargrove, Slatter, and Kagi

Read first time 01/25/17. Referred to Committee on State Government.

1 AN ACT Relating to costs associated with responding to public
2 records requests; and amending RCW 42.56.070, 42.56.080, 42.56.120,
3 42.56.130, and 42.56.550.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 42.56.070 and 2005 c 274 s 284 are each amended to
6 read as follows:

7 (1) Each agency, in accordance with published rules, shall make
8 available for public inspection and copying all public records,
9 unless the record falls within the specific exemptions of subsection
10 ((+6)) (8) of this section, this chapter, or other statute which
11 exempts or prohibits disclosure of specific information or records.
12 To the extent required to prevent an unreasonable invasion of
13 personal privacy interests protected by this chapter, an agency shall
14 delete identifying details in a manner consistent with this chapter
15 when it makes available or publishes any public record; however, in
16 each case, the justification for the deletion shall be explained
17 fully in writing.

18 (2) For informational purposes, each agency shall publish and
19 maintain a current list containing every law, other than those listed
20 in this chapter, that the agency believes exempts or prohibits
21 disclosure of specific information or records of the agency. An

1 agency's failure to list an exemption shall not affect the efficacy
2 of any exemption.

3 (3) Each local agency shall maintain and make available for
4 public inspection and copying a current index providing identifying
5 information as to the following records issued, adopted, or
6 promulgated after January 1, 1973:

7 (a) Final opinions, including concurring and dissenting opinions,
8 as well as orders, made in the adjudication of cases;

9 (b) Those statements of policy and interpretations of policy,
10 statute, and the Constitution which have been adopted by the agency;

11 (c) Administrative staff manuals and instructions to staff that
12 affect a member of the public;

13 (d) Planning policies and goals, and interim and final planning
14 decisions;

15 (e) Factual staff reports and studies, factual consultant's
16 reports and studies, scientific reports and studies, and any other
17 factual information derived from tests, studies, reports, or surveys,
18 whether conducted by public employees or others; and

19 (f) Correspondence, and materials referred to therein, by and
20 with the agency relating to any regulatory, supervisory, or
21 enforcement responsibilities of the agency, whereby the agency
22 determines, or opines upon, or is asked to determine or opine upon,
23 the rights of the state, the public, a subdivision of state
24 government, or of any private party.

25 (4) A local agency need not maintain such an index, if to do so
26 would be unduly burdensome, but it shall in that event:

27 (a) Issue and publish a formal order specifying the reasons why
28 and the extent to which compliance would unduly burden or interfere
29 with agency operations; and

30 (b) Make available for public inspection and copying all indexes
31 maintained for agency use.

32 (5) Each state agency shall, by rule, establish and implement a
33 system of indexing for the identification and location of the
34 following records:

35 (a) All records issued before July 1, 1990, for which the agency
36 has maintained an index;

37 (b) Final orders entered after June 30, 1990, that are issued in
38 adjudicative proceedings as defined in RCW 34.05.010 and that contain
39 an analysis or decision of substantial importance to the agency in
40 carrying out its duties;

1 (c) Declaratory orders entered after June 30, 1990, that are
2 issued pursuant to RCW 34.05.240 and that contain an analysis or
3 decision of substantial importance to the agency in carrying out its
4 duties;

5 (d) Interpretive statements as defined in RCW 34.05.010 that were
6 entered after June 30, 1990; and

7 (e) Policy statements as defined in RCW 34.05.010 that were
8 entered after June 30, 1990.

9 Rules establishing systems of indexing shall include, but not be
10 limited to, requirements for the form and content of the index, its
11 location and availability to the public, and the schedule for
12 revising or updating the index. State agencies that have maintained
13 indexes for records issued before July 1, 1990, shall continue to
14 make such indexes available for public inspection and copying.
15 Information in such indexes may be incorporated into indexes prepared
16 pursuant to this subsection. State agencies may satisfy the
17 requirements of this subsection by making available to the public
18 indexes prepared by other parties but actually used by the agency in
19 its operations. State agencies shall make indexes available for
20 public inspection and copying. State agencies may charge a fee to
21 cover the actual costs of providing individual mailed copies of
22 indexes.

23 (6) A public record may be relied on, used, or cited as precedent
24 by an agency against a party other than an agency and it may be
25 invoked by the agency for any other purpose only if:

26 (a) It has been indexed in an index available to the public; or

27 (b) Parties affected have timely notice (actual or constructive)
28 of the terms thereof.

29 (7) Each agency (~~shall~~) may establish, maintain, and make
30 available for public inspection and copying a statement of the actual
31 (~~per page cost or other costs, if any,~~) costs that it charges for
32 providing photocopies or electronically produced copies, of public
33 records and a statement of the factors and manner used to determine
34 the actual (~~per page cost or other costs, if any,~~) costs. Any
35 statement of costs may be adopted by an agency only after providing
36 notice and public hearing.

37 (a) (i) In determining the actual (~~per page~~) cost for providing
38 (~~photocopies~~) copies of public records, an agency may include all
39 costs directly incident to copying such public records including:

1 (A) The actual cost of the paper and the per page cost for use of
2 agency copying equipment; and

3 (B) The actual cost of the electronic production or file transfer
4 of the record and the use of any cloud-based data storage and
5 processing service.

6 (ii) In determining other actual costs for providing
7 ((~~photocopies~~)) copies of public records, an agency may include all
8 costs directly incident to:

9 (A) Shipping such public records, including the cost of postage
10 or delivery charges and the cost of any container or envelope used;
11 and

12 (B) Transmitting such records in an electronic format, including
13 the cost of any transmission charge and use of any physical media
14 device provided by the agency.

15 (b) In determining the actual ((~~per page cost or other~~)) costs
16 for providing copies of public records, an agency may not include
17 staff salaries, benefits, or other general administrative or overhead
18 charges, unless those costs are directly related to the actual cost
19 of copying the public records. Staff time to copy and ((~~mail~~)) send
20 the requested public records may be included in an agency's costs.

21 ~~(8) ((An agency need not calculate the actual per page cost or~~
22 ~~other costs it charges for providing photocopies of public records if~~
23 ~~to do so would be unduly burdensome, but in that event: The agency~~
24 ~~may not charge in excess of fifteen cents per page for photocopies of~~
25 ~~public records or for the use of agency equipment to photocopy public~~
26 ~~records and the actual postage or delivery charge and the cost of any~~
27 ~~container or envelope used to mail the public records to the~~
28 ~~requestor.~~

29 ~~(9))~~ This chapter shall not be construed as giving authority to
30 any agency, the office of the secretary of the senate, or the office
31 of the chief clerk of the house of representatives to give, sell or
32 provide access to lists of individuals requested for commercial
33 purposes, and agencies, the office of the secretary of the senate,
34 and the office of the chief clerk of the house of representatives
35 shall not do so unless specifically authorized or directed by law:
36 PROVIDED, HOWEVER, That lists of applicants for professional licenses
37 and of professional licensees shall be made available to those
38 professional associations or educational organizations recognized by
39 their professional licensing or examination board, upon payment of a
40 reasonable charge therefor: PROVIDED FURTHER, That such recognition

1 may be refused only for a good cause pursuant to a hearing under the
2 provisions of chapter 34.05 RCW, the administrative procedure act.

3 **Sec. 2.** RCW 42.56.080 and 2016 c 163 s 3 are each amended to
4 read as follows:

5 (1) A public records request must be for identifiable records. A
6 request for all or substantially all records prepared, owned, used,
7 or retained by an agency is not a valid request for identifiable
8 records under this chapter, provided that a request for all records
9 regarding a particular topic or containing a particular keyword or
10 name shall not be considered a request for all of an agency's
11 records.

12 (2) Public records shall be available for inspection and copying,
13 and agencies shall, upon request for identifiable public records,
14 make them promptly available to any person including, if applicable,
15 on a partial or installment basis as records that are part of a
16 larger set of requested records are assembled or made ready for
17 inspection or disclosure. Agencies shall not deny a request for
18 identifiable public records solely on the basis that the request is
19 overbroad. Agencies shall not distinguish among persons requesting
20 records, and such persons shall not be required to provide
21 information as to the purpose for the request except to establish
22 whether inspection and copying would violate RCW 42.56.070(~~(+9)~~) (8)
23 or 42.56.240(14), or other statute which exempts or prohibits
24 disclosure of specific information or records to certain persons.
25 Agency facilities shall be made available to any person for the
26 copying of public records except when and to the extent that this
27 would unreasonably disrupt the operations of the agency. Agencies
28 shall honor requests received in person during an agency's normal
29 office hours, or by mail or email, for identifiable public records
30 unless exempted by provisions of this chapter. No official format is
31 required for making a records request; however, agencies may
32 recommend that requestors submit requests using an agency provided
33 form or web page.

34 (3) An agency may deny a bot request that is one of multiple
35 requests from the requestor to the agency within a twenty-four hour
36 period, if the agency establishes that responding to the multiple
37 requests would cause excessive interference with other essential
38 functions of the agency. For purposes of this subsection, "bot

1 request" means a request for public records that an agency reasonably
2 believes was automatically generated by a computer program or script.

3 **Sec. 3.** RCW 42.56.120 and 2016 c 163 s 4 are each amended to
4 read as follows:

5 (1) No fee shall be charged for the inspection of public records
6 or locating public documents and making them available for copying,
7 except as provided in RCW 42.56.240(14) and subsection (3) of this
8 section. A reasonable charge may be imposed for providing copies of
9 public records and for the use by any person of agency equipment or
10 equipment of the office of the secretary of the senate or the office
11 of the chief clerk of the house of representatives to copy public
12 records, which charges shall not exceed the amount necessary to
13 reimburse the agency, the office of the secretary of the senate, or
14 the office of the chief clerk of the house of representatives for its
15 actual costs directly incident to such copying. When calculating any
16 fees authorized under this section, an agency shall use the most
17 reasonable cost-efficient method available to the agency as part of
18 its normal operations. If any agency translates a record into an
19 alternative electronic format at the request of a requestor, the copy
20 created does not constitute a new public record for purposes of this
21 chapter. Scanning paper records to make electronic copies of such
22 records is a method of copying paper records and does not amount to
23 the creation of a new public record.

24 (2)(a) Agency charges for ((photocopies shall)) actual costs may
25 only be imposed in accordance with the ((actual per page cost or
26 ether)) costs established and published by the agency pursuant to RCW
27 42.56.070(7), and in accordance with the statement of factors and
28 manner used to determine the actual costs. In no event may an agency
29 charge a per page cost greater than the actual ((per page)) cost as
30 established and published by the agency.

31 (b) An agency need not calculate the actual costs it charges for
32 providing public records if it has rules or regulations declaring the
33 reasons doing so would be unduly burdensome. To the extent the agency
34 has not determined the actual ((per page cost for photocopies of))
35 costs of copying public records, the agency may not charge in excess
36 of:

7 (i) Fifteen cents per page for photocopies of public records,
38 printed copies of electronic public records when requested by the

1 person requesting records, or for the use of agency equipment to
2 photocopy public records;

3 (ii) Ten cents per page for public records scanned into an
4 electronic format or for the use of agency equipment to scan the
5 records;

6 (iii) Five cents per each four electronic files or attachment
7 uploaded to email, cloud-based data storage service, or other means
8 of electronic delivery; and

9 (iv) Ten cents per gigabyte for the transmission of public
10 records in an electronic format or for the use of agency equipment to
11 send the records electronically. The agency shall take reasonable
12 steps to provide the records in the most efficient manner available
13 to the agency in its normal operations; and

14 (v) The actual cost of any digital storage media or device
15 provided by the agency, the actual cost of any container or envelope
16 used to mail the copies to the requestor, and the actual postage or
17 delivery charge.

18 (c) The charges in (b) of this subsection may be combined to the
19 extent that more than one type of charge applies to copies produced
20 in response to a particular request.

21 (d) An agency may charge a flat fee of up to two dollars for any
22 request as an alternative to fees authorized under (a) or (b) of this
23 subsection when the agency reasonably estimates and documents that
24 the costs allowed under this subsection are clearly equal to or more
25 than two dollars. An additional flat fee shall not be charged for any
26 installment after the first installment of a request produced in
27 installments. An agency that has elected to charge the flat fee in
28 this subsection for an initial installment may not charge the fees
29 authorized under (a) or (b) of this subsection on subsequent
30 installments.

31 (e) An agency shall not impose copying charges under this section
32 for access to or downloading of records that the agency routinely
33 posts on its public internet web site prior to receipt of a request
34 unless the requestor has specifically requested that the agency
35 provide copies of such records through other means.

36 (f) A requestor may ask an agency to provide, and if requested an
37 agency shall provide, a summary of the applicable charges before any
38 copies are made and the requestor may revise the request to reduce
39 the number of copies to be made and reduce the applicable charges.

1 (3)(a)(i) In addition to the charge imposed for providing copies
2 of public records and for the use by any person of agency equipment
3 copying costs, an agency may include a customized service charge. A
4 customized service charge may only be imposed if the agency estimates
5 that the request would require the use of information technology
6 expertise to prepare data compilations, or provide customized
7 electronic access services when such compilations and customized
8 access services are not used by the agency for other agency purposes.

9 (ii) The customized service charge may reimburse the agency up to
10 the actual cost of providing the services in this subsection.

11 (b) An agency may not assess a customized service charge unless
12 the agency has notified the requestor of the customized service
13 charge to be applied to the request, including an explanation of why
14 the customized service charge applies, a description of the specific
15 expertise, and a reasonable estimate cost of the charge. The notice
16 also must provide the requestor the opportunity to amend his or her
17 request in order to avoid or reduce the cost of a customized service
18 charge.

19 (4) An agency may require a deposit in an amount not to exceed
20 ten percent of the estimated cost of providing copies for a request,
21 including a customized service charge. If an agency makes a request
22 available on a partial or installment basis, the agency may charge
23 for each part of the request as it is provided. If an installment of
24 a records request is not claimed or reviewed, the agency is not
25 obligated to fulfill the balance of the request. An agency may waive
26 any charge assessed for a request pursuant to agency rules and
27 regulations. An agency may enter into any contract, memorandum of
28 understanding, or other agreement with a requestor that provides an
29 alternative fee arrangement to the charges authorized in this
30 section, or in response to a voluminous or frequently occurring
31 request.

32 **Sec. 4.** RCW 42.56.130 and 2005 c 274 s 286 are each amended to
33 read as follows:

34 The provisions of RCW 42.56.070(7) and (8) and 42.56.120 that
35 establish or allow agencies to establish the costs charged for
36 photocopies or electronically produced copies of public records do
37 not supersede other statutory provisions, other than in this chapter,
38 authorizing or governing fees for copying public records.

1 **Sec. 5.** RCW 42.56.550 and 2011 c 273 s 1 are each amended to
2 read as follows:

3 (1) Upon the motion of any person having been denied an
4 opportunity to inspect or copy a public record by an agency, the
5 superior court in the county in which a record is maintained may
6 require the responsible agency to show cause why it has refused to
7 allow inspection or copying of a specific public record or class of
8 records. The burden of proof shall be on the agency to establish that
9 refusal to permit public inspection and copying is in accordance with
10 a statute that exempts or prohibits disclosure in whole or in part of
11 specific information or records.

12 (2) Upon the motion of any person who believes that an agency has
13 not made a reasonable estimate of the time that the agency requires
14 to respond to a public record request or a reasonable estimate of the
15 charges to produce copies of public records, the superior court in
16 the county in which a record is maintained may require the
17 responsible agency to show that the estimate it provided is
18 reasonable. The burden of proof shall be on the agency to show that
19 the estimate it provided is reasonable.

20 (3) Judicial review of all agency actions taken or challenged
21 under RCW 42.56.030 through 42.56.520 shall be de novo. Courts shall
22 take into account the policy of this chapter that free and open
23 examination of public records is in the public interest, even though
24 such examination may cause inconvenience or embarrassment to public
25 officials or others. Courts may examine any record in camera in any
26 proceeding brought under this section. The court may conduct a
27 hearing based solely on affidavits.

28 (4) Any person who prevails against an agency in any action in
29 the courts seeking the right to inspect or copy any public record or
30 the right to receive a response to a public record request within a
31 reasonable amount of time shall be awarded all costs, including
32 reasonable attorney fees, incurred in connection with such legal
33 action. In addition, it shall be within the discretion of the court
34 to award such person an amount not to exceed one hundred dollars for
35 each day that he or she was denied the right to inspect or copy said
36 public record.

37 (5) For actions under this section against counties, the venue
3 provisions of RCW 36.01.050 apply.

1 (6) Actions under this section must be filed within one year of
2 the agency's claim of exemption or the last production of a record on
3 a partial or installment basis.

Passed by the House April 17, 2017.

Passed by the Senate April 7, 2017.

Approved by the Governor May 16, 2017.

Filed in Office of Secretary of State May 16, 2017.

--- END ---

WAC 4-30-024 ~~What public records are available?~~ All public records of the agency are available for public inspection and copying pursuant to these rules and applicable state law (chapter 42.56 RCW), as follows:

(1) **Hours for inspection of records.** Public records are available for inspection and copying during normal business hours of the office of the Washington State Board of Accountancy at 711 Capitol Way S., Suite 400, Olympia, Washington, Monday through Friday, 8:00 a.m. to 5:00 p.m., excluding legal holidays. Records must be inspected at the agency's office when the requestor has been notified of the availability of the requested documents and an appointment is made with the public records officer.

(2) **Records index.** An index of public records, consisting of the retention schedules applicable to those records, is available to members of the public at the agency's office.

(3) **Organization of records.** The agency maintains its records in a reasonably organized manner. The agency will take reasonable actions to protect records from damage and disorganization. A requestor shall not take original records from the agency's office. A variety of records are also available on the agency's web site at

www.cpaboard.wa.gov. Requestors are encouraged to view the documents available on the web site prior to submitting a public records request.

(4) Making a request for public records.

(a) Any person wishing to inspect or obtain copies of public records should make the request in writing by letter, fax, or email addressed to the public records officer. **Written requests must include the following information:**

- Date of the request;
- Name of the requestor;
- Address of the requestor and other contact information, including telephone number and any email address;
- Clear identification of the public records requested to permit the public records officer or designee to identify and locate the records.

(b) The public records officer may also accept requests for public records by telephone or in person. If the public records officer or designee accepts an oral or telephone request, he or she will confirm receipt of the request and the details of the records requested, in writing, to the requestor.

(c) If the requests received in (a) or (b) of this subsection are not sufficiently clear to permit the public records officer to identify the specific records requested, the public records officer will request clarification from the requestor in writing.

(d) If the requestor wishes to have copies of the records made instead of simply inspecting them, he or she should make that preference clear in the request. ~~and make arrangements to make payment for the copies of the records prior to delivery or provide a deposit of the estimated copy costs provided by the agency upon request prior to the copies being made.~~ Copies will be made by the agency's public records officer or designee. ~~Costs for copying are fifteen cents per page, except that there is no charge for the first fifty pages of records included in any request by one requestor.~~

(e) When fulfilling public records requests the agency will perform its public records responsibilities in the most expeditious manner consistent with the agency's need to fulfill its other essential functions.

(f) By law, certain records and/or specific content of any specific record or document may not be subject to public disclosure. Accordingly, a reasonable time period may occur between the date of the request and the ability of the public records officer to identify, lo-

cate, retrieve, remove content not subject to disclosure, prepare a redaction log that includes the specific exemption, a brief explanation of how the exemption applies to the records or portion of the records being withheld, and produce the records for inspection and/or copying. The requestor will be kept informed of the expected delivery timetable.

(g) If the request includes a large number of records, the production of the records for the requestor may occur in installments. The requestor will be informed, in writing, of the agency's anticipated installment delivery timetable.

(h) In certain instances the agency may notify affected third parties to whom the record relates. This notice allows the affected third party to seek an injunction within fifteen days from the date of the written notice. The notice further provides that release of the records to the requestor will be honored unless timely injunctive relief is obtained by the affected third party on or before the end of the fifteen-day period.

(i) Requests for lists of credentialed individuals by educational organizations and professional associations:

In order to obtain a list of individuals under the provisions of RCW 42.56.070(9), educational organizations and professional associa-

tions must apply for and receive recognition by the board before requests will be honored. The requesting organization must provide sufficient information to satisfy the approving authority that the requested list of individuals is primarily for educational and professionally related uses. ~~Fees must be paid in advance before approved requests will be honored.~~

Board forms are available on the board's web site or upon request for your use.

[Statutory Authority: RCW 18.04.055, 42.56.070. WSR 10-24-009, amended and recodified as § 4-30-024, filed 11/18/10, effective 12/19/10; WSR 08-18-016, § 4-25-520, filed 8/25/08, effective 9/25/08. Statutory Authority: RCW 18.04.055 and 42.17.260. WSR 02-04-064, § 4-25-520, filed 1/31/02, effective 3/15/02; WSR 01-11-125, § 4-25-520, filed 5/22/01, effective 6/30/01; WSR 98-12-021, § 4-25-520, filed 5/27/98, effective 6/27/98. Statutory Authority: Chapter 42.17 RCW. WSR 93-14-050, § 4-25-520, filed 6/29/93, effective 7/30/93.]

WAC 4-30-038 Fees. RCW 18.04.065 provides that the board shall set fees related to licensure at a level adequate to pay the costs of administering chapter 18.04 RCW. The board has established the following fee schedule:

- | | | |
|-----------------|---|-------------------|
| (1) | Initial application for individual license, individual license through reciprocity, CPA firm license (sole proprietorships with no employees are exempt from the fee), or registration as a resident nonlicensee firm owner | \$330 |
| (2) | Renewal of individual license, CPA-Inactive certificate, CPA firm license (sole proprietorships with no employees are exempt from the fee), or registration as a resident nonlicensee firm owner | \$230 |
| (3) | Application for CPA-Inactive certificate holder to convert to a license | \$0 |
| (4) | Application for reinstatement of license, CPA-Inactive certificate, or registration as a resident nonlicensee owner | \$480 |
| (5) | Quality assurance review (QAR) program fee (includes monitoring reviews for up to two years) | |
| | Firm submits reports for review | \$400 |
| | Firm submits a peer review report for review | \$60 |
| | Firm is exempted from the QAR program because the firm did not issue attest reports | \$0 |
| (6) | Late fee * | \$100 |
| (7) | Amendment to firm license except for a change of firm address (there is no fee for filing a change of address) | \$35 |
| (8) | Copies of records, per page exceeding fifty pages | \$0.15 |
| (9) | Listing of licensees, CPA Inactive certificate holders, or registered resident nonlicensee firm owners | \$75 |
| (10) | Replacement CPA wall document | \$50 |
| (11) | Dishonored check fee (including, but not limited to, insufficient funds or closed accounts) | \$35 |
| (12) | CPA examination. Exam fees are comprised of section fees plus administrative fees. The total fee is contingent upon which section(s) is/are being applied for and the number of sections being applied for at the same time. The total fee is the section fee(s) for each section(s) applied for added to the administrative fee for the number of section(s) applied for. | |

- (a) Section fees: Section fees for the computerized uniform CPA examination are set by third-party providers for the development and delivery of the exam. These fees are collected and retained by the third-party provider.
- (b) Administrative fees: Administrative fees for the qualification and application processes are set by a third-party provider. These fees are collected and retained by the third-party provider.

* The board may waive late filing fees for individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment.

[Statutory Authority: RCW 18.04.065 and 18.04.215(5). WSR 14-04-086, § 4-30-038, filed 2/3/14, effective 3/6/14. Statutory Authority: RCW 18.04.055, 18.04.065, 18.04.105 (1)(e), (3), and (4)(e), 18.04.195(10), 18.04.205(4), 18.04.215 (3), (4), and (8), 42.56.120. WSR 10-24-009, recodified as § 4-30-038, filed 11/18/10, effective 12/19/10. Statutory Authority: RCW 18.04.065, 18.04.105 (2) and (3). WSR 09-24-055, § 4-25-530, filed 11/24/09, effective 12/25/09. Statutory Authority: RCW 18.04.065, 18.04.105(3). WSR 09-10-019, § 4-25-530, filed 4/27/09, effective 8/1/09; WSR 08-14-152 and 08-15-018, § 4-25-530, filed 7/1/08 and 7/8/08, effective 8/1/08 and 8/8/08; WSR 07-14-035, § 4-25-530, filed 6/26/07, effective 8/1/07; WSR 06-14-030, § 4-25-530, filed 6/27/06, effective 8/1/06; WSR 05-10-046, § 4-25-530, filed 4/29/05, effective 6/2/05. Statutory Authority: RCW 18.04.065, 18.04.105(3), 18.04.205. WSR 05-01-136, § 4-25-530, filed 12/16/04, effective 1/31/05. Statutory Authority: RCW 18.04.065, [18.04.]105(3), [18.04.]195(7), [18.04.]205(4), [18.04.]215(8),

[18.04.]350 (2)(a), and 42.17.260(8). WSR 04-01-076, § 4-25-530, filed 12/15/03, effective 1/15/04. Statutory Authority: RCW 18.04.055, [18.04].065, [18.04].105 (1)(e) and (3). WSR 02-22-083, § 4-25-530, filed 11/5/02, effective 12/31/02. Statutory Authority: RCW 18.04.055, 18.04.065, 18.04.105(3), 18.04.195(7), 18.04.205(4), 18.04.215(8), and 18.04.350(2). WSR 01-22-036, § 4-25-530, filed 10/30/01, effective 12/1/01. Statutory Authority: RCW 18.04.055, 18.04.065, 18.04.105(7), 18.04.195(6) and 18.04.205(4). WSR 99-18-112, § 4-25-530, filed 9/1/99, effective 1/1/00. Statutory Authority: RCW 18.04.055, 18.04.065 and 18.04.195(b). WSR 99-02-009, § 4-25-530, filed 12/24/98, effective 5/7/99. Statutory Authority: RCW 18.04.055, 18.04.065 and 18.04.195(6). WSR 96-12-060, § 4-25-530, filed 5/31/96, effective 7/1/96. Statutory Authority: RCW 18.04.055. WSR 93-12-075, § 4-25-530, filed 5/27/93, effective 7/1/93.]

WAC 4-30-050 ~~What are the requirements concerning R~~records and clients confidential information?

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

(2) **Sale or transfer of client records:** No statement, record, schedule, working paper, or memorandum, including electronic records, may be sold, transferred, or bequeathed without the consent of the client or another authorized person. ~~his or her personal representative or assignee, to anyone other than one or more surviving partners, shareholders, or new partners or new shareholders of the licensee, partnership, limited liability company, or corporation, or any combined or merged partnership, limited liability company, or corporation, or successor in interest.~~

(3) Disclosure of client confidential records and client relationships:

~~_(a3)~~ Confidential client communication or information: Licensees, CPA-Inactive certificate holders, nonlicensee firm owners, and employees of such persons must not without the specific consent of the client or another authorized person ~~or the heirs, successors, or authorized representatives of the client~~ disclose any confidential communication or information pertaining to the client obtained in the course of performing professional services.

(b) Licensees, CPA-Inactive certificate holders, nonlicensee firm owners, and employees of such persons who have provided records to a client or another authorized person are not obligated to provide such records to other individuals associated with the client.

(c) When a licensee, CPA-Inactive certificate holder, nonlicensee firm owner, or employee is engaged to prepare a married couple's joint tax return, both spouses are considered to be clients, even if the licensee, CPA-Inactive certificate holder, nonlicensee firm owner, or employee was engaged by one spouse and deals exclusively with that spouse.

(i) Accordingly, if the married couple is undergoing a divorce and one spouse directs the licensee, CPA-Inactive certificate holder, nonlicensee firm owner, or employee to withhold joint tax information from the other spouse, the licensee, CPA-Inactive certifi-

cate holder, nonlicensee firm owner, or employee may provide the information to both spouses, in compliance with this rule. The licensee, CPA-Inactive certificate holder, nonlicensee firm owner, or employee should consider reviewing the legal implications of such disclosure with an attorney and any responsibilities under any applicable tax performance standards promulgated by the United States Department of Treasury, Internal Revenue Service.

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

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

(4) Disclosing information to third party service providers: Licensee, CPA-Inactive certificate holder, or nonlicensee firm owners must do one of the following before disclosing confidential client information to third party service providers:

(a) Enter into a contractual agreement with the third party service provider to assist in providing the professional services to maintain the confidentiality of the information and provide a reasonable assurance that the third party service provider has appropriate procedures in place to prevent the unauthorized release of confidential information to others. The nature and extent of procedures necessary to obtain reasonable assurance depends on the facts and circumstances, including the extent of publicly available information on the third party service provider's controls and procedures to safeguard confidential client information.

(b) Obtain specific consent from the client before disclosing confidential client information to the third party service provider.

(5) Disclosure of client records in the course of a firm sale, or transfer upon death of a licensee, CPA-Inactive certificate holder, or nonlicensee firm owner.

(a) A licensee, CPA-Inactive certificate holder, or nonlicensee firm owner, or the successor~~s~~ in interest of a deceased licensee, CPA-Inactive certificate holder, or nonlicensee firm owner, that sell~~s~~ or transfer~~s~~ all or part of a practice to another person, firm, or entity (successor firm) and will no longer retain ownership in the practice should do all of the following:

(i) 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 or other entity and notify the client that its consent may be presumed if it does not respond to the licensee, CPA-Inactive certificate holder, or nonlicensee firm owner's request within a period of not less than 90 days, unless prohibited by law. The licensee, CPA-Inactive certificate holder, or nonlicensee firm owner, or successors in interest of a deceased firm owner, 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 licensee, CPA-Inactive certificate holder, or nonlicensee firm owner is encouraged to retain ~~ev~~~~idence~~~~evidence~~ of consent, whether obtained from the client or presumed after 90 days.

(ii) It is permissible for the successors in interest of a deceased licensee, CPA-Inactive certificate holder, or nonlicensee firm owner to contract with a responsible custodian to securely store client records until such time as consent or transfer has been obtained.

(64) This rule does not:

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

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

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

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

[Statutory Authority: RCW 18.04.055(2), 18.04.405(1). WSR 13-04-011, § 4-30-050, filed 1/25/13, effective 2/25/13. Statutory Authority: RCW 18.04.055(2), 18.04.390 (4)(b), and 18.04.405(1). WSR 11-06-062, amended and recodified as § 4-30-050, filed 3/2/11, effective 4/2/11; WSR 08-18-016, § 4-25-640, filed 8/25/08, effective 9/25/08; WSR 05-01-137, § 4-25-640, filed 12/16/04, effective 1/31/05; WSR 03-24-033, § 4-25-640, filed 11/25/03, effective 12/31/03. Statutory Authority: RCW 18.04.055(2). WSR 02-22-082, § 4-25-640, filed 11/5/02, effective 12/31/02. Statutory Authority: RCW 18.40.055 [18.04.055]. WSR 93-22-046, § 4-25-640, filed 10/28/93, effective 11/28/93.]

WAC 4-30-051 ~~What are the requirements concerning eClient
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 pre-

pare the records in that format, the client's request should be honored.

(4) In responding to a records request, it is not permissible for a licensee, CPA-Inactive certificate holder, or nonlicensee firm owner to supplant a client record originally created in an electronic format with one converted to a non-electronic format, such as a hard copy or a dissimilar electronic format unusable to the client.

(45) 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.

(56) 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.

(~~67~~) 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.

(~~78~~) 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.

(~~89~~) 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.

(~~910~~) 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.

(~~1011~~) 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.]

WAC 4-30-140 ~~What are the authority, structure, and processes for~~

~~investigations and sanctions?~~ Disciplinary Authority and Process

~~Authority:~~

(1) Investigations are responsive to formal complaints received or indications of a potential violation of the Public Accountancy Act, chapter 18.04 RCW and in all proceedings under RCW 18.04.295 or Administrative Procedure Act, chapter 34.05 RCW.

(2) The board ~~chair may has~~ delegated ~~investigative~~ authority and responsibility for processing complaints, initiating and directing investigations, resolving certain cases and issuing charging documents to ~~a designee including~~ the executive director of the board ~~(RCW 18.04.045(7))~~.

(3) The board has established policies and administrative rules to define the responsibilities, process, and procedures for performing the disciplinary process.

(4) The board's investigative team reviews all complaints received to determine if the allegations are within the board's authority. If the complaint is not within the board's jurisdiction, then the executive director may close the complaint without action.

(5) If an investigation produces sufficient evidence for the executive director to conclude that a respondent has violated chapter 18.04 RCW, the executive director will work with a consulting board member (CBM) to review the case. The executive director and CBM must concur on a resolution strategy.

(6) If at any time, the executive director and CBM determines there is not sufficient evidence of a violation, then the executive director may close the complaint without action.

(7) In most cases, the first step in the resolution strategy is to enter into a settlement negotiation. Settlement may be reached at any time.

(8) At any time, the executive director may issue a Statement of Charges which begins the formal disciplinary process. The executive director may also issue a Temporary Cease and Desist Order when deemed necessary to protect public safety and welfare.

(9) The respondent has the opportunity to answer the Statement of Charges and request administrative review. The board may hold a formal administrative hearing, in accordance with chapter 34.05 RCW. The board may impose a final order as a result of an administrative review.

(10) Any final order issued by the board may be appealed as described in chapter 34.05 RCW.

(11) The disciplinary process shall proceed in a timely manner in keeping with the circumstances of the individual case. There is no specific or absolute timeline for the disciplinary process of a case.

(12) The board has the power and authority to recover investigative and legal costs whether through consent order or final administrative order.

Structure:

~~Investigations must be directed and conducted by individuals sufficiently qualified and knowledgeable of the subject matter of an investigation.~~

~~The general responsibilities when directing an investigation are:~~

~~(1) Determine whether the complaint or other source of information is within the authority of the board;~~

~~(2) Determine the most likely sanction the board might impose if the alleged violation is proven;~~

~~(3) Determine the scope and type of evidence needed to reach a conclusion whether a violation occurred;~~

~~(4) Monitor communications to the person(s) affected by the investigative process;~~

~~(5) Monitor the progress of the evidentiary gathering process to ensure that the scope of inquiry and request for records is limited to that necessary to reach a conclusion whether the violation occurred;~~

~~(6) Upon completion of the investigation, evaluate the sufficiency of the evidence to support a conclusion as to whether a violation occurred;~~

~~(7) Develop a recommendation for dismissal or sanction for consideration by a consulting board member based upon the accumulated evidence and the board's "fair and equitable" standard for sanctioning.~~

~~Processes:~~

~~By board delegation, the executive director directs the complaint processes, investigative activities, and case resolution negotiations. The gathering of appropriate evidence should be assigned to staff or contract investigators who have no current or former close relationship to (or with) the complainant or the respondent.~~

~~Upon receiving a complaint or otherwise becoming aware of a situation or condition that might constitute a violation of the Public Accountancy Act (act) or board rules, the executive director will make a preliminary assessment.~~

~~If the executive director determines:~~

~~• The situation or condition is not within the board's authority, the executive director may dismiss the matter, but a record of the event will be documented and maintained in the board office in accordance with the agency's approved retention schedule. A summary of dismissals will be reported regularly to the board.~~

~~• The situation or condition requires further evaluation, the executive director assigns the case to a staff or contract investigator.~~

~~Details of the additional evidence gathered and the resulting conclusion by the executive director will be documented. If the executive director determines that:~~

~~• Sufficient evidence does not exist to merit board action, the executive director may dismiss the case, but a record of the event will be documented and maintained in the board office in accordance with the agency's approved record retention schedule. A summary of dismissals will be reported regularly to the board.~~

~~• Sufficient evidence exists to merit board action and it is the first time an individual or firm is notified of a violation of the Public Accountancy Act or board rule, the executive director may impose administrative sanctions approved by the board for a first time offense.~~

~~• Sufficient evidence exists to merit board consideration but the situation or condition, if proven, is not eligible for administrative sanctions, the executive director will discuss a resolution strategy and settlement parameters with a consulting board member. Once the executive director and consulting board member agree on those matters, the executive director and assigned staff or contract investigator will initiate a discussion for resolution with the respondent consistent with that agreed upon strategy and those settlement parameters.~~

~~The executive director may request guidance from a consulting board member and/or the assistance of the assigned prosecuting assistant attorney general at any time during the investigative and/or negotiation processes.~~

~~If the respondent is amenable to the suggested resolution and terminology of a negotiated proposal, the executive director will forward the proposal to the respondent for written acceptance. If accepted by the respondent, the proposal will be forwarded to the board for approval.~~

~~Upon receiving and considering the formal settlement proposal, the respondent may offer a counterproposal. The executive director and assigned staff or contract investigator will discuss the counterpro-~~

~~posal with a consulting board member. The executive director and consulting board member may agree to the counterproposal, offer a counter to the counterproposal, or reject the counterproposal.~~

~~If the executive director and consulting board member reject the counterproposal or are unable to negotiate what they consider to be an acceptable alternative proposal with the respondent, the executive director will execute a statement of charges and refer the case to the assigned prosecuting assistant attorney general with the request that an administrative hearing be scheduled and the case prosecuted.~~

~~At the same time that the assigned prosecuting assistant attorney general is preparing the case for prosecution, the assigned prosecuting assistant attorney general, working with the executive director and consulting board member, will continue to seek a negotiated settlement (consent agreement) in lieu of a board hearing. If the case goes to hearing before the board, the assigned prosecuting assistant attorney general, with the concurrence of the executive director and consulting board member, will present the team's recommended sanction to the board.~~

~~Through this process, the consulting board member, the executive director and, when appropriate, the assigned prosecuting assistant at-~~

~~torney general must individually and jointly act objectively and cooperatively to:~~

- ~~• Draw conclusions as to the allegations based solely on the evidence;~~

- ~~• Develop and present to the respondent a suggested settlement proposal that they believe the board will accept because the proposal is fair and equitable and provides public protection; and~~

- ~~• If the case goes to a hearing before the board, recommend an appropriate sanction or sanctions to the board.~~

~~No proposed negotiated settlement is forwarded to the board unless the respondent, the executive director, consulting board member and, when appropriate, the assigned prosecuting assistant attorney general concur that the proposal is an acceptable resolution to the matter.~~

~~If the participants in the negotiation concur with the negotiated resolution and terminology of the agreement, a proposed consent agreement is to be signed by the respondent, and signed by the assigned prosecuting assistant attorney general if the settlement was negotiated by the assigned prosecuting assistant attorney general, and forwarded to the board members, along with the executive director's, consulting board member's and, when appropriate, assigned prosecuting as-~~

~~sistant attorney general's recommendation to accept the proposal for consideration.~~

~~The board is not bound by this recommendation.~~

~~All proposed consent agreements must be approved by a majority vote of the board. Five "no" votes mean the proposed settlement has been rejected by the board. In such circumstances, the case will return to the executive director, consulting board member, and assigned prosecuting assistant attorney general who will determine whether the situation merits additional attempts to negotiate a settlement or to immediately schedule the matter for an administrative hearing before the board.~~

~~All fully executed consent agreements and board orders become effective the date the document is signed by the board's presiding officer unless otherwise specified in the fully executed consent agreement or board order.~~

[Statutory Authority: RCW 18.04.045 (7) and (8), 14.04.055 [18.04.055], 18.04.295, and 18.04.350(6). WSR 14-22-034, § 4-30-140, filed 10/28/14, effective 11/28/14; WSR 10-24-009, § 4-30-140, filed 11/18/10, effective 12/19/10.]




Washington State Board of Accountancy

Policy Number: 2004-1

Title: Sanction and Penalty Guidelines

Revised: October 30, 2015

Approved: 
Donald F. Aubrey, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

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

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

The Board recognizes that administrative hearings:

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

Policy:

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

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

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

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

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

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

III. Legal and Investigative Costs

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

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

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

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

General Categories of Misconduct	Examples of Sanctionable Acts:
<p>ADMINISTRATIVE NON COMPLIANCE</p> <p>Use of title or holding out in public practice with a lapsed license/certificate</p> <p>Use of the CPA title by a CPA-Inactive certificateholder</p>	<ul style="list-style-type: none"> • License/certificate lapsed because the individual failed to file a license/certificate renewal. • License/certificate lapsed because the individual failed to notify the Board of a change of address, failed to receive their renewal application, and failed to file a license/certificate renewal. • The individual disregarded the lapsed license and continued to knowingly hold out with a lapsed license. • The individual discovered that their license/certificate lapsed and signed the reinstatement application stating that they did not use the title when the evidence demonstrates that they used the title. • CPA-Inactive who is a corporate CFO uses the CPA title in filing corporate documents with the SEC. • CPA-Inactive uses the CPA title to obtain a job in private industry. • CPA-Inactive who is also an attorney uses the CPA title when offering legal services to the public.
<p>CONSUMER/EMPLOYER HARM</p> <p>Embezzlement, fraud, dishonesty, or negligence</p> <p>Fiduciary malfeasance or breach of fiduciary duties</p> <p>Noncompliance with code of conduct including conflict of interest and confidentiality</p> <p>Failure to comply with a Board order</p> <p>Failure to respond to Board inquiry</p> <p>IRS/SEC sanction/denial of practice privilege</p>	<ul style="list-style-type: none"> • Theft from employer. • Felony obstruction of justice. • Theft of trust funds where the CPA was the trustee. • Manipulated a client's trust for the benefit of the CPA's child. • Manipulated a mentally impaired client for self-enrichment. • Failed to file personal tax returns and pay personal FIT. • Failed to transmit FICA and FIT withheld from employee's salary. • Failed to pay employer's portion of FICA. • Provided services to both the seller and the buyer during a business transaction without consent. • Provided services to both parties during a divorce without consent. • Failed to make restitution to injured parties as required by Board order. • Repeated noncompliance with stipulated Board Orders. • Suspended from practice before the IRS due to substandard tax work. • SEC practice restriction and/or sanction due to fraudulent SEC filing.

General Categories of Misconduct	Examples of Sanctionable Acts:
	<ul style="list-style-type: none"> • SEC practice restriction and/or sanction due to substandard accounting practices.
<p>CONSUMER/EMPLOYER HARM</p> <p>Noncompliance with technical standards</p>	<ul style="list-style-type: none"> • CPA is referred to the Board by the SEC due to an audit failure as a result of the CPA performing substandard audit procedures. • CPA is referred to the Board by federal agencies due to failure to comply with <i>Yellow Book</i> standards. • Substandard tax work resulted in penalty to a tax client.
<p>CONSUMER/EMPLOYER HARM</p> <p>Failure to provide client records upon reasonable notice and request</p>	<ul style="list-style-type: none"> • Refused to return client records until the client paid the CPA's fees • Did not return multiple clients' records due to procrastination. • Did not return client records because the client terminated the relationship and obtained a new CPA.
<p>ADMINISTRATIVE NON COMPLIANCE</p> <p>Acts and omissions in filing an application for reinstatement or renewal of a license, certificate, or registration</p> <p>Failure to comply with a Board approved CPE waiver request</p>	<ul style="list-style-type: none"> • Represented on the CPE audit form that CPE courses were obtained when evidence discloses that no or only a portion of the required CPE courses were taken. • Signed the reinstatement or renewal form under the penalty of perjury that the CPE requirements were met and the individual obtained only a portion of the required hours. • Signed the reinstatement or renewal form under the penalty of perjury that the CPE ethics requirements were met and the individual did not take the required ethics CPE.
<p>CONSUMER/EMPLOYER HARM</p> <p>Failed good character determination for initial licensure</p> <p>Cheating on CPA Exam</p>	<ul style="list-style-type: none"> • The good character review was at the request of the applicant who was found guilty of a felony 3 years ago. • The good character review as a result of the applicant's disclosure that 7 years prior they failed to file an income tax return and pay their tax obligation. • The good character review was the result of the prosecutor alerting the Board to the applicant's being charged with a felony. • Cheating observed by the exam proctor.

<p>CONSUMER/EMPLOYER HARM</p> <p>Use of title or holding out in public practice by a non-CPA</p>	<ul style="list-style-type: none"> Continued use of title after passing the exam for the earlier of 90 days prior to obtaining a license or the posting of a Notice of Noncompliance. Used title to intentionally defraud investors.
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V. Guidelines for 1st Time Administrative Violations

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

	Administrative Violation:	Board Approved Sanction:
1.	First noncommercial use of a restricted title on <i>Business Cards, Resumes</i> or other <i>Applications for Employment</i> in Washington state after establishing residency in this state but prior to obtaining credentialed status in Washington State, <i>Provided:</i> the individual did not use the title while a resident in conjunction with offering or rendering professional services.	Administrative Notice of Noncompliance and advisory to obtain a license or cease title use and offering or performing public accounting services within 90 days of the U.S. postmark of the Administrative Notice of Noncompliance.
2.	First-time use of a restricted title by an individual within the 18-month period following successful completion of the Uniform CPA Examination but who has not yet been credentialed by the Board	\$500 monetary penalty + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in Washington State regulation applicable to the practice of public accounting <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
3.	First time representation on a reinstatement application that the CPA title had not been used when in fact the title had been used.	\$750 monetary penalty + late fee + cost recovery <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>

4.	First time failure to obtain a firm license by a Washington resident firm owned by one individual for more than 90 days after <i>the date of transmittal</i> by Board staff of a <i>notice of noncompliance</i> .	\$750 monetary penalty + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in Washington State <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction..</i>
5.	First-time failure to timely change either or both individual and/or firm addresses.	\$0 - \$200 monetary penalty + cost recovery (unless <i>the failure to timely change the address results in a more severe first-time administrative violation and sanction</i>) <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction..</i>
6.	First-time failure by a firm to timely notify the Board of changes in the firm name, ownership, or managing licensee of the firm's main office after <i>the date of transmittal</i> by Board staff of a <i>Notice of noncompliance..</i>	\$500 monetary penalty + cost recovery <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
7.	First-time misunderstanding of courses qualifying for the CPE in regulatory ethics specific to Washington State.	\$100 monetary penalty + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
8.	First-time failure to meet CPE documentation requirements <u>determined by CPE audit</u> provided the documentation deficiency results from a cause or circumstance beyond the control of the credentialed person.	\$0 - \$250 monetary penalty + cost recovery + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
9.	First-time use of titles likely to be confused with CPA, Certified Public Accountant, or CPA-Inactive by person never credentialed by this Board or not qualified for practice privileges pursuant to RCW 18.04.350(2).	\$1,500 monetary penalty + cost recovery + <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>

10.	First-time failure to timely deliver records requested by a client as required by WAC 4-30-051, UNLESS the lack of "timely delivery" results in financial harm to the client by a state or federal regulatory agency or governmental unit.	\$1,500 monetary penalty + cost recovery + restitution for proven client costs incurred to reconstruct essential records incurred as a result of the lack of availability of such records + submission of proof of completion of Board approved course in ethics and regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction..</i>
11.	First-time failure to timely respond to a request for administrative information or documents directly related to information and/or documents specified in Board rules (Title 4 WAC).	\$1,500 monetary penalty + cost recovery + submission of proof of completion of Board approved course in Ethics and Regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i>
12.	First-time Quality Review Program violation, e.g. lack of cooperation with reviewers, failure to comply with peer review program requirements, and/or non-payment of fee for a completed peer review service.	\$500 monetary penalty + cost recovery + (if applicable) restitution to reviewer (firm) + other appropriate corrective remedies.
13.	First-time Resident or Out-of-State CPA firm violation for not obtaining a Washington State license before offering or performing Compilation, Review, Audit, or other Attest engagements for a client with an office in this state or with a home office (RCW 18.04.025(10)) in this state.	\$1,500 monetary penalty + cost recovery + submission of proof of completion of Board approved course in Ethics and Regulation in the state of Washington <i>to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.</i> <i>This monetary penalty will not apply to CPA firms applying and receiving a firm license within 90 days from the U.S. Postal Date of the Notice of Non-Compliance for unlicensed firm practice in Washington State sent by the Board to the firm.</i>

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

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

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

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

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

Effective: October 29, 2004

*Revised: October 24, 2014; April 23, 2013; April 26, 2012; April 25, 2011; October 17, 2008; April 28, 2006; January 28, 2005



Washington State Board of Accountancy

Policy Number: 2004-1

Title: Administrative Violations Guidelines

Revised: July 28, 2017

Approved: _____
Thomas G. Neill, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

Purpose:

The purpose of this policy is to authorize the Washington State Board of Accountancy's (Board) Executive Director to resolve certain violations through a Remedial Resolution resulting in an administrative process of voluntary settlements without Board approval.

Authority and Delegation:

The Board delegates to the Executive Director the authority to administer Remedial Resolutions. The Board does not intend these guidelines to be mandatory; nor does the Board wish to exclude or limit other sanctions or considerations in other disciplinary action.

Guiding Principles:

These guidelines will be used when the Executive Director has sufficient evidence of an administrative violation. These guidelines only apply to first time administrative violations; repeat or non-administrative violations shall be subject to the Board's formal disciplinary process. At any time, the respondent may refuse the Remedial Resolution and request a formal hearing before the Board in accordance with the Administrative Procedure Act RCW 34.05.

A Remedial Resolution is an informal settlement between the Executive Director on behalf of the Board and the respondent and must be signed by both parties. As part of the Remedial Resolution, the Executive Director may include cost recovery. All terms must be satisfied within 90 days of service unless otherwise specified. Failure to comply with the terms may result in commencement of formal disciplinary action.

	Administrative Violation:	Remedial Resolution terms:
1.	Use of a restricted title with a lapsed license/certificate.	<ul style="list-style-type: none">• \$500 fine• Obtain a license or cease use of title

2.	Failure to obtain a firm license by a firm required to do so.	<ul style="list-style-type: none"> • \$750 fine (\$1,500 if attest services were offered to or performed for a client in Washington State) • Completion of Board approved Washington State Ethics course
3.	Use of title(s) in violation of RCW 18.04.345(5) by an un-credentialed individual.	<ul style="list-style-type: none"> • \$1,500 fine
4.	Failure to provide records in compliance with WAC 4-30-051, so long as the failure does not result in client financial harm.	<ul style="list-style-type: none"> • \$1,500 fine • Completion of Board approved Washington State Ethics course
5.	Failure to timely inform the Board of matters in compliance with WAC 4-30-030, or to respond to a request for administrative information or documentation.	<ul style="list-style-type: none"> • \$750 fine • Completion of Board approved Washington State Ethics course
6.	<p>CPE deficiencies up to 60 CPE hours in total, including Washington ethics, may be addressed through Remedial Resolution.</p> <p>CPE deficiencies exceeding 60 CPE hours in total, including Washington ethics, will result in disciplinary action.</p>	<ul style="list-style-type: none"> • \$250 fine for failure to complete the required CPE in ethics and regulations in Washington State (“Washington ethics”) • \$150 fine for deficiencies up to and including 16 CPE credit hours, not including Washington ethics • \$100 additional fine for deficiencies over 16 hours but not exceeding 60 hours, not including Washington ethics • Completion of qualifying course(s) to satisfy the CPE deficiency. The course(s) shall be applied to the deficient period, and may not be recounted in another period • Inclusion in the next CPE audit

Non-Administrative Violations:

Misconduct that is not listed above are acts that the Board finds too significant to be handled through a Remedial Resolution. The Executive Director may open an investigation into the alleged conduct. Board Policy 2017-1 provides guidance on the Board’s investigative and disciplinary process.



Washington State Board of Accountancy

Policy Number: 2017-1

Title: Investigative and Disciplinary Processes

Adopted: July 28, 2017

Approved: _____
Thomas G. Neill, CPA, Chair

Purpose:

The purpose of this policy is to further define and make available the Washington State Board of Accountancy's (Board) investigative and disciplinary process against Washington State licensees, or persons holding out as certified public accountants (Respondents) as described in chapter 18.04 RCW.

Authority and Delegation:

The Board's authority to conduct investigations and enforce administrative discipline derives from Chapter 18.04 RCW (Public Accountancy Act) and chapter 34.05 RCW (the Administrative Procedures Act). The Board has delegated the responsibility for conducting such investigations to the Executive Director per RCW 18.04.045(7) and WAC 4-30-140. The Executive Director may work with staff, a Consulting Board Member (CBM), a contractor, and the Prosecuting Assistant Attorney General during the enforcement process so that the Board members may remain impartial and objective in the event of an administrative hearing.

Guiding Principles:

The Board seeks to resolve disciplinary cases in a fair and equitable manner, and recognizes that administrative hearings are costly, time consuming, and delay resolution. Therefore, the Board seeks to resolve most disciplinary cases through informal settlements consent agreements in accordance with the Administrative Procedures Act 34.05 RCW (APA). Furthermore, the Board seeks respondent participation in the development of settlements in order to encourage future compliance, foster professional development, and advance the profession.

Complaint Intake:

The enforcement activities are driven primarily by complaints received from the public; however, the findings of federal, state, or other disciplinary entities may serve as the basis of a complaint with the Board. The Executive Director may also initiate an investigation following an observation of a potential violation by Board staff.

Charging and Administrative Review:

If resolution through settlement is not reached, the Executive Director may issue a Statement of Charges against the respondent, as outlined in WAC 4-30-140.

Approval and Review:

All consent agreements must be signed by the respondent, and approved by a vote of the Board. Any CBM involved with the case is recused from voting. If approved by the Board, the consent agreement becomes effective and binding once served on the respondent.

As part of the ongoing investigative and disciplinary process, all complaints closed without action taken are reviewed on a regular basis by a Board member.

Complainant Recourse:

If a complainant disputes the closure of a case that has not been reviewed by a CBM, the Executive Director may request a CBM to review the case file. The CBM and the Executive Director may agree to re-open the complaint if there is sufficient basis for a violation. If the CBM concurs with the closure, then the complaint will remain closed, and any allegations will not be reconsidered without new material evidence.

Cost Recovery:

The Board has the power to recover investigative costs through the case resolution process. Investigative costs may include, but are not limited to, staff time, travel, legal costs, and cost of contractors.

Effective: July 28, 2017

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

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:

File CR-101s with the Office of the Code Reviser to begin the rule-making process for revisions of current rules and proposed new rules.

This delegation is made pursuant to the authority of RCW 18.04.045 and RCW 18.04.055.

DATED this 28th day of July 2017.

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

Effective: July 28, 2017

Request Review Committee Report July 2017

Elizabeth Masnari, CPA, Chair

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

Firm Names: *Approved:*

JACKI A. FATH, CPA, MSA PLLC
CASCADES CPA
CADRE CPAS PLLC
OPP ENTERPRISES, P.S
M SQUARED TAX PLLC
DENTAL ACCOUNTING PROFESSIONALS LLC
ROBINSON, CPA TAX SERVICES, LLC
APRIO, LLP
SUNRISE BUSINESS SERVICES LLC
ROBINSON, CPA & TAX SERVICES, LLC
ROMNEY FINANCIAL FORENSICS, LLC
THE FRANCIS GROUP, PLLC

Professional/Educational Organization – Recognition Requests – During the 2nd quarter in 2017, the Board did not receive any requests for recognition of an educational organization for purposes of obtaining list requests.

Domestic or International Education Credential Evaluation Services – During the 2nd quarter in 2017, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

Late Fee Waiver Requests – Late Fee Waiver Requests were received between 05/01/2017 and 06/30/2017.

A total of 1 request was received

- 1 request for an Individual CPA License
 - 1 Request Approved
 - 0 Requests Denied

1650 - State Board of Accountancy

Allotment Expenditure/Revenue RTD Flexible

Report Number: AEF04

Biennium: 2017

As of Fiscal Month: Jun FY2

Date Run: Jul 5, 2017 9:53AM

Allotment Content: Approved & Adjusted

Estimated Revenue Content: Approved & Adjusted

Expenditure Content: Cash, Acct(all)

Revenue Content: Cash, Acct(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		
By Account/Expenditure Authority								
02J - Certified Public Accountants' Acct								
010 - SSB 5534 Certified Public Accounting	3,300,000	3,300,000.00	0.00	0.00	0.00	0.00	0.00	
030 - Salaries and Expenses	2,816,000	2,457,464.65	12,020.21	0.00	346,515.14	346,515.14	346,515.14	
02J - Certified Public Accountants' Acct	6,116,000	5,757,464.65	12,020.21	0.00	346,515.14	346,515.14	346,515.14	
Total for Agency	6,116,000	5,757,464.65	12,020.21	0.00	346,515.14	346,515.14	346,515.14	

	RTD	RTD	RTD	RTD	RTD	RTD	RTD	Biennium
	Allotment	Disbursement	Accrual	Encumbrance	Variance	Remaining		
By Account/Expenditure Authority								
A - Salaries and Wages	1,297,968	1,203,677.38	0.00	0.00	94,290.62	94,290.62	94,290.62	
B - Employee Benefits	459,779	422,038.52	0.00	0.00	37,740.48	37,740.48	37,740.48	
C - Professional Service Contracts	0	10,634.50	1,650.00	0.00	(12,284.50)	(12,284.50)	(12,284.50)	
E - Goods and Other Services	844,863	723,978.80	1,205.48	0.00	119,678.72	119,678.72	119,678.72	
G - Travel	128,190	66,189.70	0.00	0.00	62,000.30	62,000.30	62,000.30	
J - Capital Outlays	85,200	30,945.75	9,164.73	0.00	45,089.52	45,089.52	45,089.52	
M - Inter Agency/Fund Transfers	3,300,000	3,300,000.00	0.00	0.00	0.00	0.00	0.00	
Total for Agency	6,116,000	5,757,464.65	12,020.21	0.00	346,515.14	346,515.14	346,515.14	

Fund

Balance As Of:	6/30/2017	Show Balances As Of:	06/30/2017
Book Balance:	275,000.00	<input type="button" value="Retrieve"/>	
Outstanding Warrants:	0.00		
Cash Balance:	275,000.00		

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

Fund

Balance As Of:	6/30/2017	Show Balances As Of:	06/30/2017
Book Balance:	2,685,776.27	<input type="button" value="Retrieve"/>	
Outstanding Warrants:	940.00		
Cash Balance:	2,686,716.27		

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

Board of Accountancy Washington State

Enforcement Report

Quarter Report (Apr 01, 2017 through Jun 30, 2017)

	Complaints	Investigations	Period Total
Ongoing at start of period	3	7	10
Received during period	14		14
Total	17	7	24
Complaints opened as investigations	(1)	1	
Total	16	8	24
Complaints Dismissed (Administrative)	(1)		(1)
Complaints Dismissed (investigated <= 180 days)	(5)		(5)
Complaints Dismissed (investigated > 180 days)	0		0
Total	10	8	18
Cases Dismissed (Administrative)		0	0
Cases Dismissed (investigated <= 180 days)		(1)	(1)
Cases Dismissed (investigated > 180 days)		0	0
Total	10	7	17
Cases Closed (Administrative)		(1)	(1)
Cases Closed (investigated <= 180)		(2)	(2)
Cases Closed (investigated > 180)		0	0
Total	10	4	14