REGULAR BOARD MEETING AGENDA

Date, Time: Tuesday, April 19, 2016 – Regular Board Meeting – 9:00 a.m.
Location: Evergreen Plaza – Second Floor Conference Room
711 Capitol Way South, Olympia, Washington 98501
(360) 753-2586
Notices: 9:00 a.m. Rules Hearing

Chair Introductions

PUBLIC RULE-MAKING HEARING – 9:00 a.m.
Attachments at tab:

1. Public Rule-Making Hearing Script .................................................................A

2. Rules Under Consideration
   ▪ WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination? .................................................................B
   ▪ WAC 4-30-062 How do I apply to take the CPA examination? ......................C

3. Written Stakeholder Comments - None

REGULAR MEETING AGENDA

1. Rules Review
   a. Board’s deliberation on proposed rules considered at the public rule-making hearing. See listing above under Public Rule-Making Hearing – Item 2

2. Minutes – January 29, 2016, Regular Board Meeting .........................................D

3. Board Policies – Annual Review
   a. 2000-1 Continuing Professional Education and Licensing Requirements .................E
   b. 2002-1 Substantially Equivalent Jurisdictions .......................................................F
   c. 2002-2 Expert Witness Services ........................................................................G
   d. 2002-4 International Reciprocity .........................................................................H
   e. 2003-1 Safe Harbor Report Language for Use by Non-CPAs ..............................I

The Board of Accountancy schedules all public meetings at barrier free sites. Persons who need special assistance, such as enlarged type materials, please contact the Board’s Americans with Disabilities Act contact person:
Kirsten Donovan, Washington State Board of Accountancy
PO Box 9131, Olympia, WA 98507-9131
Phone: 360-664-9191  E-mail: kirstend@cpaboard.wa.gov
7-1-1 or 1-800-833-6388 (TTY) - 1-800-833-6385 (Telebraille)
(TTY and Telebraille service nationwide by Washington Relay
www.washingtonrelay.com)
f. 2004-1 Sanction and Penalty Guidelines .................................................................J

g. 2004-2 Exam Applicant Disability Documentation and Testing Modification
   Guidelines ..............................................................................................................K

h. 2011-1 Principles Underlying Board Rules ..........................................................L

i. 2011-2 Interim Policy Guidelines Pending Rule Changes .......................................M

j. 2012-1 Social Media ...............................................................................................N

k. 2015-1 Board Member Travel and Attendance at Group Gatherings .....................O

4. NASBA Update

5. Rules Review
   a. House Bill ESHB 2433 – Firm Mobility ..........................................................P
   b. WAC 4-30-010 Definitions ..............................................................................Q
   c. WAC 4-30-142 What are the bases for the board to impose discipline? ..........R
   d. WAC 4-30-050 What are the requirements concerning records and clients
      confidential information?
   e. WAC 4-30-051 What are the requirements concerning client records, including
      response to requests by clients and former clients for records?

6. Board Member Participation Summary

7. Legal Counsel’s Report

8. Chair’s Report
   a. AICPA – NASBA UAA Update
   b. The Role of a Consulting Board Member (CBM)
   c. New Board Member Training in July
   d. Farewell to Board Members

9. Committee/Task Force Reports
   a. Executive – Thomas Neill, CPA, Chair - Verbal Report
   b. Compliance Assurance Oversight – Karen Saunders, CPA, Chair – Verbal Report ........S,T
   c. Legislative Review – Favian Valencia, Chair – No Report
   e. Request Review – Elizabeth Masnari, CPA, Chair – Verbal Report .......................V
   f. State Ethics Compliance – James Ladd, Ethics Advisor – No Report
   g. Qualifications – Emily Rollins, CPA, Chair – No Report
   h. Performance Review and Succession – Emily Rollins, CPA, Chair – No Report
   i. Social Media – Favian Valencia, Chair – No Report
   j. WSCPA Education Fund – Elizabeth Masnari, CPA, Chair – No Report

10. Executive Director’s Report
    a. Biennium to Date Expenditures ........................................................................W
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PO Box 9131, Olympia, WA 98507-9131 (TTY and Telebraille service nationwide by Washington Relay)
Phone: 360-664-9191 E-mail: kirstend@cpaboard.wa.gov www.washingtonrelay.com

b. Enforcement
c. Peer Review
d. Board Member Appointments and Reappointments
e. Scholarship Foundation and Governance
f. AICPA and CGMA

11. Investigations Report ......................................................................................................................... X

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.
The Board of Accountancy rules hearing is now in session. The date is Tuesday, April 19, 2016. The time is ________. My name is Tom Neill. I am Chair of the Board of Accountancy.

Copies of the rule proposal are available at the back of the room. If you have not already done so, please register your attendance at this hearing on the attendance roster at the back of the room. Please indicate on the roster whether you wish to testify.

Have Board Members, legal counsel, and staff in attendance introduce themselves.

The hearing will be conducted as follows:

I will identify the rules presented for testimony and the Executive Director will present a brief statement for each proposal.

2. I will use the attendance roster to invite testimony on the proposal. When you give testimony, please:
   • Stand
   • State your name and organization if you speak for a group
   • Limit your testimony to the rule proposal currently before the Board.
   • After you testify, please remain standing for questions, and
   • If you are testifying from text, please provide a copy to Board staff.

Testimony is limited to 10 minutes for each speaker.

3. When the testimony is complete the hearing will be closed. The Board will consider the proposed rule changes at its Board meeting later today.

The rule proposal concerns:

WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination?

WAC 4-30-062 How do I apply to take the CPA examination?

Tom Neill, the Board Chair, will present a brief statement for each proposal. Tom presents the statement.
The rule proposals have been identified. We will now move to the testimony.

1. **TESTIMONY FROM ATTENDANCE ROSTER**

Ask for testimony from the audience according to the order on the attendance roster. After testimony is complete you will invite questions from the Board members.

**Will (name of individual) please come forward to present testimony?**

When the testimony is complete you may ask questions of the individual.

2. **OTHER TESTIMONY**

After all persons on the attendance roster have testified, ask if others wish to testify. **Is there anyone who wishes to testify that has not had the opportunity?**

3. **CLOSING STATEMENT:**

Thank you for your testimony.

The Board will deliberate on the oral and written testimony and the proposed rules later today during its regular Board meeting. All participants will be notified in writing of the Board’s decision regarding the proposed rules. Thank you all for your participation. This hearing is now closed.
Title of rule and other identifying information: (Describe Subject)
WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination?

Hearing location(s):
Evergreen Plaza 2nd Floor Conference Room
711 Capitol Way South, Suite 200
Olympia WA, 98501

Date: April 19, 2016 Time: 9:00 AM

Date of intended adoption: April 20, 2016 (Note: This is NOT the effective date)

Purpose of the proposal and its anticipated effects, including any changes in existing rules:
Rule-making is needed to eliminate the following sentence in WAC 4-30-060(1)(c): “For purposes of meeting this subsection, individuals will be given 1.5 credits for each 1.0 graduate level credit of accounting courses taken.”

Reasons supporting proposal:
This change will align the qualifications on a national level to ensure Washington State is substantially equivalent to the other state boards.

Statutory authority for adoption: RCW 18.04.055(5); RCW 18.04.105(1)

Is rule necessary because of a:
Federal Law? ☐ Yes ☒ No
Federal Court Decision? ☐ Yes ☒ No
State Court Decision? ☐ Yes ☒ No
If yes, CITATION:

DATE February 22, 2016
NAME (type or print) Charles E. Satterlund, CPA, CIA
SIGNATURE 
TITLE Executive Director

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FOR FILED RULES

DATE: February 23, 2016
TIME: 9:16 AM
WSR 16-06-033

(COMPLETE REVERSE SIDE)
Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization) The Washington State Board of Accountancy

Name of agency personnel responsible for:

<table>
<thead>
<tr>
<th>Name</th>
<th>Office Location</th>
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<tbody>
<tr>
<td>Drafting..............</td>
<td>Charles Satterlund, CPA</td>
<td>(360) 586-0785</td>
</tr>
<tr>
<td>Implementation........</td>
<td>Charles Satterlund, CPA</td>
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</table>

Has a small business economic impact statement been prepared under chapter 19.85 RCW or has a school district fiscal impact statement been prepared under section 1, chapter 210, Laws of 2012?

☐ Yes. Attach copy of small business economic impact statement or school district fiscal impact statement.

A copy of the statement may be obtained by contacting:
Name: 
Address: 
phone ( ) __________
fax ( ) __________
e-mail __________

☒ No. Explain why no statement was prepared.
The proposed rules will not have more than minor economic impact on business.

Is a cost-benefit analysis required under RCW 34.05.328?

☐ Yes  A preliminary cost-benefit analysis may be obtained by contacting:
Name: 
Address: 
phone ( ) __________
fax ( ) __________
e-mail __________

☒ No: Please explain: The Board of Accountancy is not one of the agencies required to submit to the requirements of RCW 34.05.328(5)(a).
WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination?  (1) Education requirements: Effective July 1, 2000, to apply for the CPA examination you must have completed:

(a) At least one hundred fifty semester hours (two hundred twenty-five quarter hours) of college education, including;

(b) A baccalaureate or higher degree; and

(c) An accounting major or concentration as defined as at least:

(i) Twenty-four semester hours (thirty-six quarter hours) or the equivalent in accounting subjects of which at least fifteen semester hours must be at the upper level or graduate level (an upper level course is defined as a course that frequently carries completion of a lower level course(s) as a prerequisite) (For the purposes of meeting this subsection, individuals will be given 1.5 credits for each 1.0 graduate level credit of accounting courses taken)); and

(ii) Twenty-four semester hours (thirty-six quarter hours) or the equivalent in business administration subjects at the undergraduate or graduate level.

((d) The board will not recognize accounting concentration credits awarded for "life experience" or similar activities retroactively evaluated and recognized by colleges or universities. This restriction is not intended to apply to internships prospectively approved by colleges or universities.))

(2) One hundred eighty-day provision: If you expect to meet the education requirements of this section within one hundred eighty days following the examination, you will be eligible to take the CPA examination provided you submit a signed Certificate of Enrollment from the educational institution in which you are enrolled stating that you will meet the board's education requirements within one hundred eighty days following the day you first sit for any one section of the examination. If you apply for the exam using the one hundred eighty-day provision, then within two hundred ten days of first sitting for any section of the exam, you must provide the examination administrator complete documentation demonstrating that you met the board's education requirements within one hundred eighty days of first sitting for any one section of the exam. If you do not provide such documentation within the required two hundred ten-day time period, your exam score(s) will not be released and you will not be given credit for any section(s) of the examination. Applicants failing to provide such documentation must reapply as a first-time applicant.

(3) Education obtained outside the United States: If you obtained all or a portion of your education outside the United States you must have your education evaluated by a board approved foreign education credential evaluation service. The board will establish the criteria for board approval of foreign education credential evaluation services. The board ((will)) does not provide education credential evaluation services.

(4) Semester versus quarter hours: As used in these rules, a "semester hour" means the conventional college semester hour. Your quarter hours will be converted to semester hours by multiplying them by two-thirds.
(5) **Accreditation standards:** For purposes of this rule, the board will recognize colleges and universities which are accredited in accordance with (a) through (c) of this subsection.

(a) The accredited college or university must be accredited at the time your education was earned by virtue of membership in one of the following accrediting agencies:

(i) Middle States Association of College and Secondary Schools;
(ii) New England Association of Schools and Colleges;
(iii) North Central Association of Colleges and Schools, Higher Learning Commission;
(iv) Northwest Commission on Colleges and Universities (formerly the Northwest Association of Schools and Colleges);
(v) Southern Association of Colleges and Schools;
(vi) Western Association of Schools and Colleges; and
(vii) Accrediting Commission for Independent Colleges and Schools, or its predecessor, the Accrediting Commission of the Association of Independent Colleges and Schools) of being listed on the U.S. Department of Education's Database of Accredited Postsecondary Institutions and Programs as a regionally or nationally accrediting agency.

(b) If an institution was not accredited at the time your education was earned but is so accredited at the time your application is filed with the board, the institution will be deemed to be accredited for the purpose of (a) of this subsection provided that it:

(i) Certifies that your total educational program would qualify the applicant for graduation with a baccalaureate degree during the time the institution has been accredited; and
(ii) Furnishes the board satisfactory proof, including college catalogue course numbers and descriptions, that the preaccrediting courses used to qualify you for a concentration in accounting are substantially equivalent to postaccrediting courses.

(c) If your degree was received at an accredited college or university as defined by (a) or (b) of this subsection, but the educational program which was used to qualify you for a concentration in accounting included courses taken at nonaccredited institutions, either before or after graduation, such courses will be deemed to have been taken at the accredited institution from which your degree was received, provided the accredited institution either:

(i) Has accepted such courses by including them in its official transcript; or
(ii) Certifies to the board that it will or would accept such courses for credit toward graduation.

(6) **Alternative to accreditation:** If you graduated from a (four-year) degree-granting institution that was not accredited at the time your degree was received or at the time your application was filed, you will be deemed to be a graduate of (a four-year) an accredited college or university if a credentials evaluation service approved by the board certifies that your degree is equivalent to a degree from an accredited college or university as defined in subsection (5) of this section. The board does not provide education credential evaluation services.
Title of rule and other identifying information: (Describe Subject)
WAC 4-30-062 How do I apply to take the CPA examination?

Hearing location(s):
Evergreen Plaza 2nd Floor Conference Room
711 Capitol Way South, Suite 200
Olympia WA, 98501

Date: April 19, 2016 Time: 9:00 AM

Date of intended adoption: April 20, 2016
(Note: This is NOT the effective date)

Purpose of the proposal and its anticipated effects, including any changes in existing rules:
Rule-making is needed to correct the error in one of the sentence structure for clarification.

Reasons supporting proposal:
Rule-making is needed to correct the error in one of the sentence structure for clarification.

Statutory authority for adoption: RCW 18.04.105(2)
Statute being implemented: RCW 18.04.105(2)
Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

**Name of proponent:** (person or organization) The Washington State Board of Accountancy

<table>
<thead>
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The proposed rules will not have more than minor economic impact on business.

**Is a cost-benefit analysis required under RCW 34.05.328?**

☐ Yes  A preliminary cost-benefit analysis may be obtained by contacting:

Name:
Address:
phone ( ) ____________
fax ( ) ____________
e-mail ______________

☒ No: Please explain: The Board of Accountancy is not one of the agencies required to submit to the requirements of RCW 34.05.328(5)(a).
WAC 4-30-062 How do I apply to take the CPA examination? (1) Application process and due dates: Your application to take the CPA examination must be submitted to the board's examination administrator. Applicants must submit all required information, documents, and fees to complete their application within sixty days of the date their application is submitted to the board's examination administrator. Your application is not considered complete until all of the following are provided:

- Complete application information and requested documents;
- Fee(s).

(2) Fee refund and forfeiture: Upon submission of your application to the examination administrator, no portion of the board's administrative fee is refundable. Upon the examination administrator's authorization to test, no portion of the total exam fee (both administrative fee and section fee(s)) is refundable. If you fail to meet the board's scheduling or admission requirements, you forfeit all of the exam fee(s) and you must reapply to take the section(s) of the exam.

(3) Notice of admittance to the examination or denial of your application: You must contact the approved test provider to schedule the time and location for your examination. The notice of eligibility to take the examination is called a Notice to Schedule (NTS), the NTS will be valid for one taking of the examination within the six months following the date of the NTS.

Notice of a denial of your application, or notice of your eligibility to take the examination will be sent to you by the examination administrator.

(4) Examination content and grading: The CPA examination shall test the knowledge and skills required for performance as an entry-level certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the board may require. The examination will consist of the following four sections: Auditing and attestation; financial, accounting and reporting; regulation; and business environment and concepts. The board may accept the advisory grading services of the American Institute of Certified Public Accountants.

(5) Examination process:
(a) Conditions for examinations held prior to January 1, 2004: Contact a customer service representative at customerservice@cpaboard.wa.gov or by phone at 360-753-2586.
(b) For examinations taken after December 31, 2003: The board uses all parts of the uniform CPA examination and the advisory grading services of the American Institute of Certified Public Accountants.
   (i) To satisfy the examination requirement for a license you must have achieved a score of seventy-five on all four sections of the examination within a rolling eighteen-month period.
   (ii) You may take the required four sections individually and in any order. Credit for any section(s) taken and passed after December 31, 2003, will be valid for eighteen months from the actual date you successfully passed any particular section of the examination.
   (iii) You must pass all four sections of the examination within a rolling eighteen-month period, which begins on the date that the first section(s) is passed. A section is considered passed on the date that
(is used is the date that) you took the exam section and not the date that your grade(s) (is) are released.

(iv) You may not retake a failed section(s) in the same examination window. An examination window refers to a three-month period in which candidates have an opportunity to take the examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the examination is refreshed).

(v) In the event you do not pass all four sections of the examination within the rolling eighteen-month period, credit for any section(s) passed prior to the eighteen-month period will expire and you must retake any expired section.
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. – 1:32 p.m. Friday, January 29, 2016 |
|                                 | University of Washington – Bothell |
|                                 | Collaboratory in the Beardslee Building |
|                                 | 18807 Beardslee Blvd., UWBB205 |
|                                 | Bothell, Washington |
| **Attendance**                  | Thomas G. Neill, CPA, Chair, Board Member |
|                                 | Elizabeth D. Masnari, CPA, Vice Chair, Board Member |
|                                 | Donald F. Aubrey, CPA, Board Member |
|                                 | Lauren C. Jassny, Public Board Member |
|                                 | Karen R. Saunders, CPA, Board Member (departed at 1:20 p.m.) |
|                                 | Emily R. Rollins, CPA, Board Member |
|                                 | Edwin G. Jolicoeur, CPA, Board Member (departed at 12:30 p.m.) |
|                                 | Favian Valencia, Public Board Member |
|                                 | Bruce L. Turcott, Assistant Attorney General, Board Advisor |
|                                 | Richard C. Sweeney, CPA, Executive Director (departed at 12:30 p.m.) |
|                                 | Jennifer Sciba, Deputy Director |
|                                 | Charles E. Satterlund, CPA, Director of Investigations |
|                                 | Kirsten Donovan, Board Clerk |
| **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 absence of James Ladd, Public Board Member |
| **Minutes – October 30, 2015 Annual Board Meeting** | The Board approved the minutes of the October 30, 2015, annual Board meeting as presented. |
| **Delegations of Authority**    | The Board reviewed the following delegation with the proposed revisions to eliminate the specific naming of the Executive Director. The Board voted to retain the delegation as revised, including the current chair’s name and signature: |
|                                 | • Charges, Subpoenas, Negotiate Settlement – |
|                                 | Delegated to Executive Director |
The Board voted to retain the following delegations revised for the current chair’s name and signature:

- Administrative Notices of Non-Compliance/Administrative Sanctions - *Delegated to the Executive Director*
- CPE Waiver Extension Requests/Request Review Committee
  - *Delegated to Executive Director*: CPE Waiver Extension Requests due to individual hardship, including but not limited to, financial hardship, critical illness, or active military deployment for up to 16 credit hours.
  - *Delegated to Executive Director with Concurrence of a Board member*:
    - CPE Waiver Extension Requests due to individual hardship, including but not limited to, financial hardship, critical illness, or active military deployment over 16 credit hours
    - Firm Names
    - Professional/Education Organization Recognition Requests
    - Late Fee Waiver Requests where individual hardship is a factor
    - Domestic or foreign education credential evaluation services
      - *Delegated to one member of the Request Review Committee*: Appeal of Denials of Request for Lists of Individuals
- Authority to Conduct Investigations – *Delegated to the Director of Investigations*
- Quality Assurance Oversight/Review of Publicly Available Professional Work
  - *Delegated to the Executive Director with concurrence of one Board member*: Quality Assurance Oversight
  - *Delegated to the Executive Director*: Review of publicly available professional work.

**Rules Review**

WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination?
Tom Neill presented a CR-101 draft and led the discussion of proposed revisions to the rule. The revisions included:

- Eliminating graduate course credit given at 1.5 credits per 1.0 credits earned
- Eliminating the section concerning “life experience” credit given by colleges and universities
- Changing the accreditation standard from being accredited by one of the seven recognized regional accrediting agencies to being listed on the U.S. Department of Education’s Database of Accredited Postsecondary Institutions and Programs
- Making several minor edits

The Board directed staff to file the CR-102 with the Office of the Code Reviser, and schedule a public rule-hearing in conjunction with the Board’s April meeting.

WAC 4-30-062 How do I apply to take the CPA examination?

Tom Neill presented a CR-101 draft and led the discussion of proposed revision to the rule. The revision corrected an error in sentence structure.

The Board directed staff to file the CR-102 with the Office of the Code Reviser, and schedule a public rule-hearing in conjunction with the Board’s April meeting.

WAC 4-30-010 Definitions

Don Aubrey led the discussion on proposed changes to the Rule. Bruce Turcott, AAG, Board Advisor provided advice on the proposed changes. Proposed changes to WAC 4-30-142 were also incorporated into the discussion.

The Board directed staff to file CR-101s for WAC 4-30-010 and WAC 4-30-142 with the Office of the Code Reviser for review at the Board’s April meeting.

Board Member Participation Summary

Don Aubrey presented a draft of the Board Member Participation Summary and led the discussion.

The Board eliminated one entry from the Summary draft.
The Board directed staff to add Board Member Participation Summary as an agenda item to all future meetings.

Staff will provide Board Members with outreach opportunities through the WSCPA quarterly.

**NASBA Update**

Ed Jolicoeur reported on the following NASBA activities:

- Development of a CPE audit tool
- DOL Audits
- Substantially Equivalency and Mobility – Sunset Rules in California
- CPA Exam Changes – Exposure Draft already issued with final document to be issued in April 2016
- New Services
  - Advisory Education Evaluation
  - Experience Verification
- Education Accreditation
- Title designations - CGMA
- Western Regional Meeting
  - June 22-24, 2016, in Denver, CO
  - Ed encourages attendance

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

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

**Chair’s Report**

The Board Chair reported and led a discussion on the following topics:

- SSARS 21
- SSARS 21 / Peer Review
  - What happens to a firm who runs a SSARS 21 engagement?
  - More information to come
- WSCPA Education Fund
  - The Board established a committee to review the annual budget submitted by the Washington Education Foundation - Chair: Elizabeth Masnari, CPA; Members: Donald Aubrey, CPA; Favian Valencia
  - Applications for scholarships are accepted from students enrolled in accredited Washington
State colleges or universities with an accounting major who will be in their junior year or higher

- The Executive Director said good bye and thanked the Board Members, staff, and audience for their support and hard work during his term.
- The Chair on behalf of the entire Board thanked the Executive Director for his years of service.
- Firm Merger or Sale – WAC 4-30-050
  - Client record transfer with sale or merger of a CPA firm – When is client approval needed?
  - The Board directed that an agenda item for WAC 4-30-050 and WAC 4-30-051 be added to the April Board Meeting
- CPA Retired Designation – WAC 4-30-058
  - The Board will not authorize exceptions to the requirements for use of the CPA Retired designation

Executive Committee

Tom Neill had nothing to report.

Compliance Assurance Oversight Committee

Ed Jolicoeur had nothing to report.

Legislative Review Committee

Rich Jones, WSCPA, reported on the following current legislation:

- HB2433 - concerning firm mobility and the definition of reports
- Staff will email a copy of the bill to Board Members

Quality Assurance Committee

Tom Neill had nothing to report.

Request Review Committee

Karen Saunders reported on the 4th quarter 2015 approval and denials from the committee:

Firm Names: Approved:

- DAVID LIGHTFOOT CFO, LLC
Professional/Educational Organization - Recognition Requests: During the 4th quarter 2015, the Board did not receive any requests for recognition as educational organizations for purposes of obtaining a list of individual CPAs.

Domestic or Foreign Education Credential Evaluation Services – Applications: During the 4th quarter 2015, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

CPE Extension Requests: CPE Extension Requests were received between 11/01/2015 and 12/31/2015.

A total of 30 requests were received:

- 8 requests were for hours 16 or under:
  - 2 approved
  - 1 denied
Minutes, January 29, 2016, Regular Board Meeting

- 5 withdrawn requests - finished CPE prior to 12/31/2015

- 22 requests were for hours 17 or over:
  - 14 approved
  - 6 denied
  - 2 withdrawn requests - finished CPE prior to 12/31/2015

**State Ethics Compliance Committee**
Lauren Jassny had nothing to report.

**Qualifications Committee**
Tom Neill had nothing to report.

**Performance Review and Succession Committee**
Emily Rollins had nothing to report.

**Social Media Committee**
Favian Valencia reported on the Social Media Proposed Mission Statement. The Mission Statement was accepted with edits.

**Director of Investigations Report**
Investigation Statistics/Investigations & Administrative Sanctions: Charles Satterlund, CPA, Director of Investigations, provided the following report to the Board:

- Enforcement Report: October 1, 2015 through December 31, 2015

Charles Satterlund reported on:

- CPE Audit Issues
- Dismissed Cases Review

**Legal Counsel’s Report**
Bruce Turcott, the Board’s legal counsel, had nothing to report.

**Public Input**
Rich Jones, CPA, Washington Society of CPAs (WSCPA) President & CEO, reported at various times throughout the meeting.
Kimberly Scott, WSCPA, reported on the Scholarship Fund activities including: visiting colleges and universities, advertising through posters and brochures, and online tracking. Currently 221 applications are in process for the available $5,000 scholarships.

Vitaliy Kertchen voiced concerns about the procedures regarding dismissed complaints. Specifics of the cases involving his client were not discussed. The Director of Investigations advised that the cases will be reviewed by a Consulting Board Member (CBM). Mr. Kertchen advised that his client would like to speak with the CBM, if allowed.

Adjournment

The Chair adjourned the meeting at 1:32 p.m.
Purpose:

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

I. Guidance Regarding the Appropriate Classification of a CPE Course

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

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

Generally the Board does not pre-approve programs as meeting the Board's CPE requirements, with the exception of Washington Ethics and Regulations courses that must be pre-approved by the Executive Director. However, upon receipt of a CPE course description and outline, the Executive Director may provide informal, oral guidance regarding the appropriate classification of a course.
II. Acceptable Evidence Supporting Eligibility for CPE Credit

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

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

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

III. CPE Credit for Self Study Learning Activities

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

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

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

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

Effective: January 1, 2000
Policy Number: 2002-1
Title: Substantially Equivalent Jurisdictions
Revised: April 17, 2014*
Approved: Emily R. Rollins, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

Purpose:
To provide guidance to:

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

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

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

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

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

III. Substantially Equivalent States

The Board recognizes the states and jurisdictions identified as “Substantially Equivalent States” by the National Association of State Boards of Accountancy (NASBA) for purposes of issuing a Washington State CPA license under the
interstate reciprocity provisions of WAC 4-30-092 and exercise of practice privileges under RCW 18.04.350(2)(a).

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

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

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

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

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

Effective: January 25, 2002
*Revised: October 23, 2012; April 26, 2012; April 25, 2011; January 28, 2010; October 17, 2008; October 25, 2002;
Policy Number: 2002-2
Title: Expert Witness Services
Revised: April 25, 2011*
Approved: Donald F. Aubrey, CPA, Chair

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

Purpose:

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

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

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

II. Requirements for Washington State CPA-Inactive Certificate holders

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

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

CPA-Inactive certificate holders who testify on another matter (not related to the services, skills, or activities identified above) may use the title "CPA-Inactive" as mandated by RCW 18.04.105 provided they advise the court...
that they hold a Washington state CPA-Inactive certificate and they do not hold a Washington state CPA license to practice public accountancy.

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

Effective: January 25, 2002
*Revised: October 17, 2008; April 27, 2007; December 31, 2004
Purpose:

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

Statutory authority: RCW 18.04.183

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

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

II. International Qualifications Examination (IQEX)

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

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

B. Accepts International Qualifications Examination (IQEX) grades from examinations administered by other state boards of accountancy or by the National Association of State Boards of Accountancy.

C. Sets the passing score for the IQEX (and its CAQEX predecessor) at 75.

Effective: October 25, 2002

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

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

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

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

CPA-Inactive certificate holders may not use the ‘CPA-Inactive’ title when performing or offering accounting, tax, tax consulting, management advisory, or similar services to the public. As such, CPA-Inactive certificate holders are prohibited from using the safe harbor report language concurrent with the CPA-Inactive title.
Safe harbor report language Sample #1:

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

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

Safe harbor report language Sample #2:

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

My engagement was limited to presenting in the form of financial statements information that is the representation of management (owner), and accordingly, I do not express any assurance on them.
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.
<table>
<thead>
<tr>
<th>General Categories of Misconduct</th>
<th>Examples of Sanctionable Acts:</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADMINISTRATIVE NON COMPLIANCE</td>
<td>• License/certificate lapsed because the individual failed to file a license/certificate renewal.</td>
</tr>
<tr>
<td>Use of title or holding out in public practice with a lapsed license/certificate</td>
<td>• 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.</td>
</tr>
<tr>
<td>Use of the CPA title by a CPA-Inactive certificateholder</td>
<td>• The individual disregarded the lapsed license and continued to knowingly hold out with a lapsed license.</td>
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<tr>
<td>• 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.</td>
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<tr>
<td>• CPA-Inactive who is a corporate CFO uses the CPA title in filing corporate documents with the SEC.</td>
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<tr>
<td>• CPA-Inactive uses the CPA title to obtain a job in private industry.</td>
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</tr>
<tr>
<td>• CPA-Inactive who is also an attorney uses the CPA title when offering legal services to the public.</td>
<td></td>
</tr>
<tr>
<td>CONSUMER/EMPLOYER HARM</td>
<td>• Theft from employer.</td>
</tr>
<tr>
<td>Embezzlement, fraud, dishonesty, or negligence</td>
<td>• Felony obstruction of justice.</td>
</tr>
<tr>
<td>Fiduciary malfeasance or breach of fiduciary duties</td>
<td>• Theft of trust funds where the CPA was the trustee.</td>
</tr>
<tr>
<td>Noncompliance with code of conduct including conflict of interest and confidentiality</td>
<td>• Manipulated a client’s trust for the benefit of the CPA’s child.</td>
</tr>
<tr>
<td>Failure to comply with a Board order</td>
<td>• Manipulated a mentally impaired client for self-enrichment.</td>
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<tr>
<td>Failure to respond to Board inquiry</td>
<td>• Failed to file personal tax returns and pay personal FIT.</td>
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<tr>
<td>IRS/SEC sanction/denial of practice privilege</td>
<td>• Failed to transmit FICA and FIT withheld from employee’s salary.</td>
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<tr>
<td>• Failed to pay employer’s portion of FICA.</td>
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<td>• Provided services to both the seller and the buyer during a business transaction without consent.</td>
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<tr>
<td>• Provided services to both parties during a divorce without consent.</td>
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<tr>
<td>• Failed to make restitution to injured parties as required by Board order.</td>
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<tr>
<td>• Repeated noncompliance with stipulated Board Orders.</td>
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<tr>
<td>• Suspended from practice before the IRS due to substandard tax work.</td>
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<tr>
<td>• SEC practice restriction and/or sanction due to fraudulent SEC filing.</td>
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</tr>
<tr>
<td>General Categories of Misconduct</td>
<td>Examples of Sanctionable Acts:</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>CONSUMER/EMPLOYER HARM</td>
<td>• SEC practice restriction and/or sanction due to substandard accounting practices.</td>
</tr>
<tr>
<td>Noncompliance with technical standards</td>
<td>• CPA is referred to the Board by the SEC due to an audit failure as a result of the CPA performing substandard audit procedures.</td>
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<tr>
<td></td>
<td>• CPA is referred to the Board by federal agencies due to failure to comply with <em>Yellow Book</em> standards.</td>
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<td></td>
<td>• Substandard tax work resulted in penalty to a tax client.</td>
</tr>
<tr>
<td>CONSUMER/EMPLOYER HARM</td>
<td>• Refused to return client records until the client paid the CPA’s fees</td>
</tr>
<tr>
<td>Failure to provide client records upon reasonable notice and request</td>
<td>• Did not return multiple clients’ records due to procrastination.</td>
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<td></td>
<td>• Did not return client records because the client terminated the relationship and obtained a new CPA.</td>
</tr>
<tr>
<td>ADMINISTRATIVE NON COMPLIANCE</td>
<td>• 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.</td>
</tr>
<tr>
<td>Acts and omissions in filing an application for reinstatement or renewal of a license, certificate, or registration</td>
<td>• 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.</td>
</tr>
<tr>
<td>Failure to comply with a Board approved CPE waiver request</td>
<td>• 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.</td>
</tr>
<tr>
<td>CONSUMER/EMPLOYER HARM</td>
<td>• The good character review was at the request of the applicant who was found guilty of a felony 3 years ago.</td>
</tr>
<tr>
<td>Failed good character determination for initial licensure</td>
<td>• 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.</td>
</tr>
<tr>
<td>Cheating on CPA Exam</td>
<td>• The good character review was the result of the prosecutor alerting the Board to the applicant’s being charged with a felony.</td>
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<tr>
<td></td>
<td>• Cheating observed by the exam proctor.</td>
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</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Administrative Violation:</th>
<th>Board Approved Sanction:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. First noncommercial use of a restricted title on Business Cards, Resumes or other Applications for Employment in Washington state after establishing residency in this state but prior to obtaining credentialed status in Washington State, Provided: the individual did not use the title while a resident in conjunction with offering or rendering professional services.</td>
<td>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.</td>
</tr>
<tr>
<td>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</td>
<td>$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 to be received by the Board’s office within 90 days of signing an agreement consenting to an Administrative Sanction.</td>
</tr>
<tr>
<td>3. First time representation on a reinstatement application that the CPA title had not been used when in fact the title had been used.</td>
<td>$750 monetary penalty + late fee + cost recovery to be received by the Board’s office within 90 days of signing an agreement consenting to an Administrative Sanction.</td>
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<td></td>
<td>First-time failure to obtain a firm license by a Washington resident firm owned by one individual for more than 90 days after the date of transmittal by Board staff of a notice of noncompliance.</td>
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<tr>
<td>5.</td>
<td>First-time failure to timely change either or both individual and/or firm addresses.</td>
</tr>
<tr>
<td>6.</td>
<td>First-time failure by a firm to timely notify the Board of changes in the firm name, ownership, or managing licensee of the firm’s main office after the date of transmittal by Board staff of a Notice of noncompliance.</td>
</tr>
<tr>
<td>7.</td>
<td>First-time misunderstanding of courses qualifying for the CPE in regulatory ethics specific to Washington State.</td>
</tr>
<tr>
<td>8.</td>
<td>First-time failure to meet CPE documentation requirements determined by CPE audit provided the documentation deficiency results from a cause or circumstance beyond the control of the credentialed person.</td>
</tr>
<tr>
<td>9.</td>
<td>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).</td>
</tr>
<tr>
<td></td>
<td>First-time failure to timely deliver records requested by a client as required by WAC 4-30-051, UNLESS the lack of &quot;timely delivery&quot; results in financial harm to the client by a state or federal regulatory agency or governmental unit.</td>
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<tr>
<td>11.</td>
<td>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).</td>
</tr>
<tr>
<td>12.</td>
<td>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.</td>
</tr>
</tbody>
</table>
| 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 to be received by the Board’s office within 90 days of signing an agreement consenting to an Administrative Sanction.  

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. |
14. First-time CPE deficiencies by licensees, certificate holders, and non-CPA firm owners.

Example:
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:

- **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.

<table>
<thead>
<tr>
<th>Maximum Monetary Sanction</th>
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<tbody>
<tr>
<td>1st 8 hours Short $ 250 8Hrs.</td>
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<tr>
<td>2nd 8 hours Short $ 250 8Hrs.</td>
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<tr>
<td>Additional hrs. $ 3,000 100Hrs.</td>
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<tr>
<td>$3,500 116Hrs.</td>
</tr>
<tr>
<td>Ethics Course $ 500 4Hrs.</td>
</tr>
<tr>
<td>Totals $4,000 120Hrs.</td>
</tr>
</tbody>
</table>

Licensee:
Exclusive of the required 4-hour course addressing ethics and regulation in Washington State a sliding scale:

- **$250 monetary penalty** for a deficiency up to and including 8 CPE credit hours;
- **$500 monetary penalty** for a deficiency up to and including 16 CPE credit hours;
- **Plus an additional $30 monetary penalty** for each CPE credit hour deficient from 17 CPE credit hours to 100 CPE credit hours.

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.

**CPA-Inactive Certificateholder or Non-CPA firm owner:**

- **$500 monetary penalty** + cost recovery for failure to complete the required 4-hour course addressing ethics and regulation in Washington State.

All amounts assessed are to be received by the Board's office within 90 days of signing an agreement consenting to an Administrative Sanction.

No information of a first-time Administrative Violation will be disclosed by staff; however, Board staff will:
- Post statistics related to these sanctions on the Board's website
- Comply with the Public Records Act.

If an individual or firm's conduct includes multiple first-time administration violations of different types, the Executive Director may impose the more severe first-time
administrative sanction or open an investigation if the matter demonstrates a pattern of unprofessional regulated conduct.

Effective: October 29, 2004
*Revised: October 24, 2014; April 23, 2013; April 26, 2012; April 25, 2011; October 17, 2008; April 28, 2006; January 28, 2005
Washington State Board of Accountancy

Policy Number: 2004-2

Title: Exam Applicant Disability Documentation and Testing Modification Guidelines

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

Approved:  
Emily R. Rollins, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

PURPOSE:

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

PROCEDURES:

A. Request for accommodations and appropriate, complete, supporting documentation, must be submitted with each application. Determinations of reasonable accommodations for testing modifications will be made on a case-by-case basis and will pertain to all sections applied for in a single application.

B. Testing must be performed by a licensed and/or qualified (expert) specialist or physician (at the candidate's expense). Information about their area of specialization and their professional credentials, including certification and licensure, should be clearly delineated.

C. Documentation should be submitted on official letterhead from a licensed and/or qualified (expert) physician who has conducted a clinical examination of the individual and
diagnosed a physical or mental impairment. Depending on the disability and written evaluation, documentation may include a letter from a physician or a lengthy assessment report.

D. Documentation should provide evidence of a substantial limitation to physical or academic functioning. For invisible disabilities, the following areas must be assessed (these suggested tests are not meant to preclude assessment in other relevant areas):

1. **Ability** – The Weschler Adult Intelligence Scale (WAIS-III), with subtest scores, should be included as a standard measure of overall intelligence. The WAIS is only one component of a full documentation report. This test alone is not acceptable.
2. **Achievement** – A comprehensive academic achievement battery, with subtest scores, is essential. Current levels of academic functioning in relevant areas, such as reading (decoding and comprehension), mathematics, and oral/written language are required. Tests must be reliable, standardized, and valid for use in an adolescent/adult population.
3. **Processing Skills** – Other tests in processing areas may warrant evaluation as indicated by the tests above. These areas include information processing, visual and auditory processing, and processing speed.

E. Documentation should be recent (no more than three years old).

F. Documentation for all disabilities should describe the extent of the disability, the criteria for the diagnosis, the diagnosis, the type and length of treatment and/or recommended testing modification. Terms such as learning “problems,” “deficiencies,” “weaknesses,” and “differences” are not the equivalent of a diagnosed learning disability. The following testing modifications are available for the Uniform CPA Examination and may be granted to an applicant by the Board if deemed eligible:

1. **Additional Break Time** – Extension of scheduled breaks or inclusion of additional breaks
2. **Additional Testing Time** – Typically time and a half or double time
3. **Logistical Provisions** – Adjustment of height of workstation table, monitor, or other similar accommodation, or allowance of specific items that have been approved by the Board (i.e. back wedge or pillow)
4. **Separate Room** – Must be monitored throughout test administration
5. **Reader** – An individual to read information verbatim from screen for examinees, separate room required
6. **Amanuensis** – An individual to operate mouse and/or keyboard for examinee; separate room required
7. **Sign Language Interpreter** – An individual to sign instructions and serve as interpreter between the testing center administrator and examinee. Sign language interpreters are normally not allowed to accompany examinees into the testing room
8. **Intellikeys Keyboard** – Allows examinees with limited use of hands to operate keyboard
9. **Intellikeys Keyboard with Magic Arm and Super Clamp Attachment** – Swivel arm that allows precise placement of keyboard
10. Kensington Expert Mouse – Trackball mouse
11. Headmaster Plus Mouse Unit – Mouse operated by head movements
12. Selectable Background and Foreground colors – Allows selection of text and background colors for ease of reading on-screen
13. Screen Magnifier – Attaches to monitor and enlarges screen
14. Zoomtext Software – Screen magnification

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

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

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

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

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

PRINCIPLES:

Board rules are intended to promote the following professional obligations:

(1) **Serve the public interest** - A person representing oneself as a CPA, CPA-Inactive certificate holder, or using the CPA or CPA-Inactive title, CPA firms or firm owner and professional employees of such persons must accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism.

(2) **Exercise Reasoned Professional Judgment** - In carrying out their responsibilities, a person representing oneself as a CPA, CPA-Inactive certificate holder or firm owner and professional employees of such persons must exercise reasoned professional judgment in all their activities.

(3) **Demonstrate Integrity** - To maintain and broaden public confidence a person representing oneself as a CPA, CPA-Inactive certificate holder or firm owner and professional employees of such persons must perform all professional responsibilities with the highest sense of honesty.

(4) **Maintain Personal Objectivity** – A person representing oneself as a CPA, CPA-Inactive certificate holder or firm owner and professional employees of such persons must maintain objectivity at all times when rendering professional services.
Specifically, a person representing oneself as a CPA or CPA-Inactive, firm owners, and professional employees of such persons must:

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

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

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

POLICY STATEMENTS:

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

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

Effective: April 23, 2013
Washington State Board of Accountancy

Policy Number: 2011-2

Title: Interim Policy Guidelines Pending Rule Changes

Revised: October 30, 2015*

Approved: Donald F. Aubrey, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

POLICY STATEMENT:

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

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

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

PROCEDURES:

I. Electronic Transcripts:

Electronic transcripts are acceptable provided that the sender is either:

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

Effective: April 25, 2011
*Revised: April 17, 2014; October 23, 2012
Washington State Board of Accountancy

Policy Number: 2012-1

Title: Social Media

Effective: April 23, 2013

Approved: Emily R. Rollins, CPA, Chair

PURPOSE:

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

DEFINITIONS:

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

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

EMPLOYEE USE:

I. Permitted Use

- Board employees must receive, from the Executive Director, prior approval to use social media for Board related business.
- After being approved by the Executive Director, employees may use social media in the workplace only for approved agency purposes – under no circumstances is social media for personal use allowed.
• At this time, the Board's communication manager, under the direction of the Board's Executive Director, will be the person permitted to communicate through social media on behalf of the Board.

• Board employees shall not set-up a social media account for agency purposes unless approved in advance under this policy.

• Approved Board employees who engage in social media for agency purposes shall not engage in unlawful or prohibited conduct.

• Failure to abide by this policy established for use of social media or participation in any activity inconsistent with the Board's values and mission may result in appropriate disciplinary action.

II. Personal Use

• Board employees should not use personal social media accounts to transact agency business, or to post privileged or confidential material. Content posted on personal social media sites should never be attributed to, or appear to be endorsed by or to have originated from, the Board.

• Board employees should never use their work e-mail account or password in conjunction with a personal social media site.

• Work equipment and resources, including paid work time, must not be used to access personal social media accounts.

III. Records and Privacy Guidelines

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

• Information used for publication via social media will follow the general and/or agency's approved retention schedule.

• The Board reserves the right to monitor Internet usage at such times and in such circumstances as appropriate.

• Social media shall not be used to distribute privileged or confidential material.
Washington State Board of Accountancy

Policy Number: 2015-1

Title: Board Member Travel and Attendance at Group Gatherings

Adopted: January 30, 2015

Approved: Donald F. Aubrey, CPA, Chair

Purpose:

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

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

Policy:

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

It is the policy of this Board that:

1. No more than three Board members shall travel together in a common vehicle or on a common carrier to ensure that any required Board action would be legally binding in the event of unexpected travel challenges or other events while some or all Board members are in travel status and not present to vote.

2. The Open Public Meetings Act of this state is designed to promote transparency when boards and commissions conduct public business. Board business or recommended Board actions shall not be discussed as a group if a quorum or more of Board members attend social, business, or professional gatherings.
CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE HOUSE BILL 2433

64th Legislature
2016 Regular Session

Passed by the House February 11, 2016
Yea# 96  Nays 0

Speaker of the House of Representatives

Passed by the Senate March 1, 2016
Yea# 46  Nays 0

President of the Senate
Approved

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is ENGROSSED SUBSTITUTE HOUSE BILL 2433 as passed by House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

Secretary of State
State of Washington

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

Sec. 1. RCW 18.04.025 and 2008 c 16 s 2 are each amended to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Attest" means providing the following ((financial statement)) 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 ((examination of prospective financial information)) 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.
(2) "Board" means the board of accountancy created by RCW 18.04.035.

(3) "Certificate" means a certificate as a certified public accountant issued prior to July 1, 2001, as authorized under the provisions of this chapter.

(4) "Certificate holder" means the holder of a certificate as a certified public accountant who has not become a licensee, has maintained CPE requirements, and who does not practice public accounting.

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

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

(7) "CPE" means continuing professional education.

(8) "Firm" means a sole proprietorship, a corporation, or a partnership. "Firm" also means a limited liability company formed under chapter 25.15 RCW.

(9) "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 or firm that the person or firm holds a license under this chapter and that the person or firm offers to perform any professional services to the public as a licensee. "Holding out" shall not affect or limit a person or firm not required to hold a license under this chapter from engaging in practices identified in RCW 18.04.350.

(10) ("Home office" is the location specified by the client as the address to which a service is directed.

(11) "Inactive" means the certificate is in an inactive status because a person who held a valid certificate before July 1, 2001, has not met the current requirements of licensure and has been granted inactive certificate holder status through an approval process established by the board.

(12) "Individual" means a living, human being.

(13) "License" means a license to practice public accountancy issued to an individual under this chapter, or a license issued to a firm under this chapter.

(14) "Licensee" means the holder of a license to practice public accountancy issued under this chapter.
"Manager" means a manager of a limited liability company licensed as a firm under this chapter.

"NASBA" means the national association of state boards of accountancy.

"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 accountancy, 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 (((21+)) (20) of this section.

"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.

"Practice of public accounting" means performing or offering to perform by a person or firm holding itself out to the public as a licensee, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of "(audit) reports," ("review reports," or "compilation reports" on financial statements,) 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. "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 this chapter.

"Principal place of business" means the office location designated by the licensee for purposes of substantial equivalency and reciprocity.

"Quality assurance review" means a process established by and conducted at the direction of the board of 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 accountancy, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed.

"Reports on financial statements" means any reports or opinions prepared by licensees or persons holding practice privileges.
under substantial equivalency, based on services performed in accordance with generally accepted auditing standards, standards for attestation engagements, or standards for accounting and review services as to whether the presentation of information used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private, or governmental, conforms with generally accepted accounting principles or another comprehensive basis of accounting. "Report on financial statements" does not include services referenced in RCW 18.04.350(10) provided by persons not holding a license under this chapter.

(22)) (21) "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 on 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).

(22) "Review committee" means any person carrying out, administering or overseeing a peer review authorized by the reviewee.

(23) "Rule" means any rule adopted by the board under authority of this chapter.

(24) "Sole proprietorship" means a legal form of organization owned by one person meeting the requirements of RCW 18.04.195.
"State" includes the states of the United States, the District of Columbia, Puerto Rico, Guam, 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 in RCW 18.04.350(2)(a).

Sec. 2. RCW 18.04.055 and 2001 c 294 s 5 are each amended to read as follows:

The board may adopt and amend rules under chapter 34.05 RCW for the orderly conduct of its affairs. The board shall prescribe rules consistent with this chapter as necessary to implement this chapter.

(1) Rules of procedure to govern the conduct of matters before the board;

(2) Rules of professional conduct for all licensees, certificate holders, and nonlicensee owners of licensed firms, in order to establish and maintain high standards of competence and ethics including rules dealing with independence, integrity, objectivity, and freedom from conflicts of interest;

(3) Rules specifying actions and circumstances deemed to constitute holding oneself out as a licensee in connection with the practice of public accountancy;

(4) Rules specifying the manner and circumstances of the use of the titles "certified public accountant" and "CPA," by holders of certificates who do not also hold licenses under this chapter;

(5) Rules specifying the educational requirements to take the certified public accountant examination;

(6) Rules designed to ensure that licensees' "reports (on financial statements)" meet the definitional requirements for that term as specified in RCW 18.04.025;

(7) Requirements for CPE to maintain or improve the professional competence of licensees as a condition to maintaining their license and certificate holders as a condition to maintaining their certificate under RCW 18.04.215;

(8) Rules governing firms issuing or offering to issue reports (on financial statements or) using the title "certified public accountant" or "CPA" including, but not limited to, rules concerning their style, name, title, and affiliation with any other
organization, and establishing reasonable practice and ethical
standards to protect the public interest;
(9) The board may by rule implement a quality assurance review
program as a means to monitor licensees' quality of practice and
compliance with professional standards. The board may exempt from
such program, licensees who undergo periodic peer reviews in programs
of the American Institute of Certified Public Accountants, NASBA, or
other programs recognized and approved by the board;
(10) The board may by rule require licensed firms to obtain
professional liability insurance if in the board's discretion such
insurance provides additional and necessary protection for the
public;
(11) Rules specifying the experience requirements in order to
qualify for a license;
(12) Rules specifying the requirements for certificate holders to
qualify for a license under this chapter which must include
provisions for meeting CPE and experience requirements prior to
application for licensure;
(13) Rules specifying the registration requirements, including
ethics examination and fee requirements, for resident nonlicensee
partners, shareholders, and managers of licensed firms;
(14) Rules specifying the ethics CPE requirements for certificate
holders and owners of licensed firms, including the process for
reporting compliance with those requirements;
(15) Rules specifying the experience and CPE requirements for
licensees offering or issuing reports (on financial statements);
and
(16) Any other rule which the board finds necessary or
appropriate to implement this chapter.

Sec. 3. RCW 18.04.105 and 2004 c 159 s 2 are each amended to
read as follows:
(1) A license to practice public accounting shall be granted by
the board to any person:
(a) Who is of good character. Good character, for purposes of
this section, means lack of a history of dishonest or felonious acts.
The board may refuse to grant a license on the ground of failure to
satisfy this requirement only if there is a substantial connection
between the lack of good character of the applicant and the
professional and ethical responsibilities of a licensee and if the
finding by the board of lack of good character is supported by a
preponderance of evidence. When an applicant is found to be
unqualified for a license because of a lack of good character, the
board shall furnish the applicant a statement containing the findings
of the board and a notice of the applicant's right of appeal;
(b) Who has met the educational standards established by rule as
the board determines to be appropriate;
(c) Who has passed an examination;
(d) Who has had one year of experience which is gained:
   (i) Through the use of accounting, issuing reports ((on financial
statements)), management advisory, financial advisory, tax, tax
advisory, or consulting skills;
   (ii) While employed in government, industry, academia, or public
practice; and
   (iii) Meeting the competency requirements in a manner as
determined by the board to be appropriate and established by board
rule; and
(e) Who has paid appropriate fees as established by rule by the
board.
(2) The examination described in subsection (1)(c) of this
section shall test the applicant's knowledge of the subjects of
accounting and auditing, and other related fields the board may
specify by rule. The time for holding the examination is fixed by the
board and may be changed from time to time. The board shall prescribe
by rule the methods of applying for and taking the examination,
including methods for grading examinations and determining a passing
grade required of an applicant for a license. The board shall to the
extent possible see to it that the grading of the examination, and
the passing grades, are uniform with those applicable to all other
states. The board may make use of all or a part of the uniform
certified public accountant examination and advisory grading service
of the American Institute of Certified Public Accountants and may
contract with third parties to perform administrative services with
respect to the examination as the board deems appropriate to assist
it in performing its duties under this chapter. The board shall
establish by rule provisions for transitioning to a new examination
structure or to a new media for administering the examination.
(3) The board shall charge each applicant an examination fee for
the initial examination or for reexamination. The applicable fee
shall be paid by the person at the time he or she applies for
examination, reexamination, or evaluation of educational qualifications. Fees for examination, reexamination, or evaluation of educational qualifications shall be determined by the board under chapter 18.04 RCW. There is established in the state treasury an account to be known as the certified public accountants' account. All fees received from candidates to take any or all sections of the certified public accountant examination shall be used only for costs related to the examination.

(4) Persons who on June 30, 2001, held valid certificates previously issued under this chapter shall be deemed to be certificate holders, subject to the following:

(a) Certificate holders may, prior to June 30, 2006, petition the board to become licensees by documenting to the board that they have gained one year of experience through the use of accounting, issuing reports (on financial statements), management advisory, financial advisory, tax, tax advisory, or consulting skills, without regard to the eight-year limitation set forth in (b) of this subsection, while employed in government, industry, academia, or public practice.

(b) Certificate holders who do not petition to become licensees prior to June 30, 2006, may after that date petition the board to become licensees by documenting to the board that they have one year of experience acquired within eight years prior to applying for a license through the use of accounting, issuing reports (on financial statements), management advisory, financial advisory, tax, tax advisory, or consulting skills in government, industry, academia, or public practice.

(c) Certificate holders who petition the board pursuant to (a) or (b) of this subsection must also meet competency requirements in a manner as determined by the board to be appropriate and established by board rule.

(d) Any certificate holder petitioning the board pursuant to (a) or (b) of this subsection to become a licensee must submit to the board satisfactory proof of having completed an accumulation of one hundred twenty hours of CPE during the thirty-six months preceding the date of filing the petition.

(e) Any certificate holder petitioning the board pursuant to (a) or (b) of this subsection to become a licensee must pay the appropriate fees established by rule by the board.

(5) Certificate holders shall comply with the prohibition against the practice of public accounting in RCW 18.04.345.
(6) Persons who on June 30, 2001, held valid certificates previously issued under this chapter are deemed to hold inactive certificates, subject to renewal as inactive certificates, until they have petitioned the board to become licensees and have met the requirements of subsection (4) of this section. No individual who did not hold a valid certificate before July 1, 2001, is eligible to obtain an inactive certificate.

(7) Persons deemed to hold inactive certificates under subsection (6) of this section shall comply with the prohibition against the practice of public accounting in subsection (8)(b) of this section and RCW 18.04.345, but are not required to display the term inactive as part of their title, as required by subsection (8)(a) of this section until renewal. Certificates renewed to any persons after June 30, 2001, are inactive certificates and the inactive certificate holders are subject to the requirements of subsection (8) of this section.

(8) Persons holding an inactive certificate:

(a) Must use or attach the term "inactive" whenever using the title CPA or certified public accountant or referring to the certificate, and print the word "inactive" immediately following the title, whenever the title is printed on a business card, letterhead, or any other document, including documents published or transmitted through electronic media, in the same font and font size as the title; and

(b) Are prohibited from practicing public accounting.

Sec. 4. RCW 18.04.195 and 2008 c 16 s 3 are each amended to read as follows:

(1) The board shall grant or renew licenses to practice as a CPA firm to applicants that demonstrate their qualifications therefore in accordance with this section.

(a) The following must hold a license issued under this section:

(i) Any firm with an office in this state performing attest services as defined in RCW 18.04.025(1) or compilations as defined in RCW 18.04.025(6);

(ii) Any firm with an office in this state that uses the title "CPA" or "CPA firm"; or

(iii) Any firm that does not have an office in this state but offers or renders attest services described in RCW...
18.04.025(((1) (a), (c), or (d) for a client having its home office)) in this state, unless it meets each of the following requirements:

(A) Complies with the qualifications described in subsection (3)(c), (4)(a), or (5)(c) of this section;
(B) Meets the board's quality assurance review program requirements authorized by RCW 18.04.055(9) and the rules implementing such section;
(C) Performs such services through an individual with practice privileges under RCW 18.04.350(2); and
(D) Can lawfully do so in the state where said individuals with practice privileges have their principal place of business.

(b) A firm that is not subject to the requirements of subsection (1)(a)((iii)) of this section may perform compilation services described in RCW 18.04.025(6) and other nonattest professional services while using the title "CPA" or "CPA firm" in this state without a license issued under this section only if:

(i) The firm performs such services through an individual with practice privileges under RCW 18.04.350(2); and
(ii) The firm can lawfully do so in the state where said individuals with practice privileges have their principal place of business;

(iii) A firm performing services described in RCW 18.04.025 (1)(b) and (6) meets the board's quality assurance [review] program requirements authorized by RCW 18.04.055(9) and the rules implementing that section).

(2) A sole proprietorship required to obtain a license under subsection (1) of this section shall license, as a firm, every three years with the board.

(a) The sole proprietor shall hold and renew a license to practice under RCW 18.04.105 and 18.04.215, or, in the case of a sole proprietorship that must obtain a license pursuant to subsection (1)(a)(iii) of this section, be a licensee of another state who meets the requirements in RCW 18.04.350(2);

(b) Each resident individual in charge of an office located in this state shall hold and renew a license to practice under RCW 18.04.105 and 18.04.215; and

(c) The licensed firm must meet ((competency)) requirements established by rule by the board.
(3) A partnership required to obtain a license under subsection (1) of this section shall license as a firm every three years with the board, and shall meet the following requirements:

(a) At least one general partner of the partnership shall hold and renew a license to practice under RCW 18.04.105 and 18.04.215, or, in the case of a partnership that must obtain a license pursuant to subsection (1)(a)(iii) of this section, be a licensee of another state who meets the requirements in RCW 18.04.350(2);

(b) Each resident individual in charge of an office in this state shall hold and renew a license to practice under RCW 18.04.105 and 18.04.215;

(c) At least a simple majority of the ownership of the licensed firm in terms of financial interests and voting rights of all partners or owners shall be held by persons who are licensees or holders of a valid license issued under this chapter or by another state. The principal partner of the partnership and any partner having authority over issuing reports (en—financial—statements) shall hold a license under this chapter or issued by another state;

(d) The licensed firm must meet (competency) requirements established by rule by the board.

(4) A corporation required to obtain a license under subsection (1) of this section shall license as a firm every three years with the board and shall meet the following requirements:

(a) At least a simple majority of the ownership of the licensed firm in terms of financial interests and voting rights of all shareholders or owners shall be held by persons who are licensees or holders of a valid license issued under this chapter or by another state and is principally employed by the corporation or actively engaged in its business. The principal officer of the corporation and any officer or director having authority over issuing reports (en—financial—statements)) shall hold a license under this chapter or issued by another state;

(b) At least one shareholder of the corporation shall hold a license under RCW 18.04.105 and 18.04.215, or, in the case of a corporation that must obtain a license pursuant to subsection (1)(a)(iii) of this section, be a licensee of another state who meets the requirements in RCW 18.04.350(2);
(c) Each resident individual in charge of an office located in this state shall hold and renew a license under RCW 18.04.105 and 18.04.215;

(d) A written agreement shall bind the corporation or its shareholders to purchase any shares offered for sale by, or not under the ownership or effective control of, a qualified shareholder, and bind any holder not a qualified shareholder to sell the shares to the corporation or its qualified shareholders. The agreement shall be noted on each certificate of corporate stock. The corporation may purchase any amount of its stock for this purpose, notwithstanding any impairment of capital, as long as one share remains outstanding;

(e) The corporation shall comply with any other rules pertaining to corporations practicing public accounting in this state as the board may prescribe; and

(f) The licensed firm must meet ((competency)) requirements established by rule by the board.

(5) A limited liability company required to obtain a license under subsection (1) of this section shall license as a firm every three years with the board, and shall meet the following requirements:

(a) At least one member of the limited liability company shall hold a license under RCW 18.04.105 and 18.04.215, or, in the case of a limited liability company that must obtain a license pursuant to subsection (1)(a)(iii) of this section, be a licensee of another state who meets the requirements in RCW 18.04.350(2);

(b) Each resident manager or member in charge of an office located in this state shall hold and renew a license under RCW 18.04.105 and 18.04.215;

(c) At least a simple majority of the ownership of the licensed firm in terms of financial interests and voting rights of all owners shall be held by persons who are licensees or holders of a valid license issued under this chapter or by another state. The principal member or manager of the limited liability company and any member having authority over issuing reports ((or financial statements)) shall hold a license under this chapter or issued by another state; and

(d) The licensed firm must meet ((competency)) requirements established by rule by the board.

(6) Application for a license as a firm with an office in this state shall be made upon the affidavit of the proprietor or
individual designated as managing partner, member, or shareholder for Washington. This individual shall hold a license under RCW 18.04.215.

(7) In the case of a firm licensed in another state and required to obtain a license under subsection (1)(a)(iii) of this section, the application for the firm license shall be made upon the affidavit of an individual who qualifies for practice privileges in this state under RCW 18.04.350(2) who has been authorized by the applicant firm to make the application. The board shall determine in each case whether the applicant is eligible for a license.

(8) The board shall be given notification within ninety days after the admission or withdrawal of a partner, shareholder, or member engaged in this state in the practice of public accounting from any partnership, corporation, or limited liability company so licensed.

(9) Licensed firms that fall out of compliance with the provisions of this section due to changes in firm ownership, after receiving or renewing a license, shall notify the board in writing within ninety days of its falling out of compliance and propose a time period in which they will come back into compliance. The board may grant a reasonable period of time for a firm to be in compliance with the provisions of this section. Failure to bring the firm into compliance within a reasonable period of time, as determined by the board, may result in suspension, revocation, or imposition of conditions on the firm's license.

(10) Fees for the license as a firm and for notification of the board of the admission or withdrawal of a partner, shareholder, or member shall be determined by the board. Fees shall be paid by the firm at the time the license application form or notice of admission or withdrawal of a partner, shareholder, or member is filed with the board.

(11) Nonlicensee owners of licensed firms are:
(a) Required to fully comply with the provisions of this chapter and board rules;
(b) Required to be an individual;
(c) Required to be of good character, as defined in RCW 18.04.105(1)(a), and an active individual participant in the licensed firm or affiliated entities as these terms are defined by board rule; and
(d) Subject to discipline by the board for violation of this chapter.
(12) Resident nonlicensee owners of licensed firms are required to meet:
   (a) The ethics examination, registration, and fee requirements as established by the board rules; and
   (b) The ethics CPE requirements established by the board rules.
(13)(a) Licensed firms must notify the board within thirty days after:
   (i) Sanction, suspension, revocation, or modification of their professional license or practice rights by the securities exchange commission, internal revenue service, or another state board of accountancy;
   (ii) Sanction or order against the licensee or nonlicensee firm owner by any federal or other state agency related to the licensee's practice of public accounting or violation of ethical or technical standards established by board rule; or
   (iii) The licensed firm is notified that it has been charged with a violation of law that could result in the suspension or revocation of the firm's license by a federal or other state agency, as identified by board rule, related to the firm's professional license, practice rights, or violation of ethical or technical standards established by board rule.
(b) The board must adopt rules to implement this subsection and may also adopt rules specifying requirements for licensees to report to the board sanctions or orders relating to the licensee's practice of public accounting or violation of ethical or technical standards entered against the licensee by a nongovernmental professionally related standard-setting entity.

Sec. 5. RCW 18.04.345 and 2009 c 116 s 1 are each amended to read as follows:
(1) No individual may assume or use the designation "certified public accountant-inactive" or "CPA-inactive" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the individual is a certified public accountant-inactive or CPA-inactive unless the individual holds a certificate. Individuals holding only a certificate may not practice public accounting.
(2) No individual may hold himself or herself out to the public or assume or use the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation,
sign, card, or device tending to indicate that the individual is a
certified public accountant or CPA unless the individual qualifies
for the privileges authorized by RCW 18.04.350(2) or holds a license
under RCW 18.04.105 and 18.04.215.

(3) No firm with an office in this state may perform or offer to
perform attest services as defined in RCW 18.04.025(1) or compilation
services as defined in RCW 18.04.025(6) or assume or use the
designation "certified public accountant" or "CPA" or any other
title, designation, words, letters, abbreviation, sign, card, or
device tending to indicate that the firm is composed of certified
public accountants or CPAs, unless the firm is licensed under RCW
18.04.195 and all offices of the firm in this state are maintained
and registered under RCW 18.04.205. This subsection does not limit
the services permitted under RCW 18.04.350(10) by persons not
required to be licensed under this chapter.

(4) No firm may perform the services defined in RCW 18.04.025(1)
((a), (c), or (e) for a client with its home office)) in this state
unless the firm is licensed under RCW 18.04.195, renews the firm
license as required under RCW 18.04.215, and all offices of the firm
in this state are maintained and registered under RCW 18.04.205.

(5) No individual, partnership, limited liability company, or
corporation offering public accounting services to the public may
hold himself, herself, or itself out to the public, or assume or use
along, or in connection with his, hers, or its name, or any other
name the title or designation "certified accountant," "chartered
accountant," "licensed accountant," "licensed public accountant,
"public accountant," or any other title or designation likely to be
confused with "certified public accountant" or any of the
abbreviations "CA," "LA," "LPA," or "PA," or similar abbreviations
likely to be confused with "CPA."

(6) No licensed firm may operate under an alias, a firm name,
title, or "DBA" that differs from the firm name that is registered
with the board.

(7) No individual with an office in this state may sign, affix,
or associate his or her name or any trade or assumed name used by the
individual in his or her business to any report prescribed by
professional standards unless the individual holds a license to
practice under RCW 18.04.105 and 18.04.215, a firm holds a license
under RCW 18.04.195, and all of the individual's offices in this
state are registered under RCW 18.04.205.
(8) No individual licensed in another state may sign, affix, or associate a firm name to any report prescribed by professional standards, or associate a firm name in conjunction with the title certified public accountant, unless the individual:
   (a) Qualifies for the practice privileges authorized by RCW 18.04.350(2); or
   (b) Is licensed under RCW 18.04.105 and 18.04.215, and all of the individual's offices in this state are maintained and registered under RCW 18.04.205.

(9) No individual, partnership, limited liability company, or corporation not holding a license to practice under RCW 18.04.105 and 18.04.215, or firm not licensed under RCW 18.04.195 or firm not registering all of the firm's offices in this state under RCW 18.04.205, or not qualified for the practice privileges authorized by RCW 18.04.350(2), may hold himself, herself, or itself out to the public as an "auditor" with or without any other description or designation by use of such word on any sign, card, letterhead, or in any advertisement or directory.

(10) For purposes of this section, because individuals practicing using practice privileges under RCW 18.04.350(2) are deemed substantially equivalent to licensees under RCW 18.04.105 and 18.04.215, every word, term, or reference that includes the latter shall be deemed to include the former, provided the conditions of such practice privilege, as set forth in RCW 18.04.350 (4) and (5) are maintained.

(11) Notwithstanding anything to the contrary in this section, it is not a violation of this section for a firm that does not hold a valid license under RCW 18.04.195 and that does not have an office in this state to use the title "CPA" or "certified public accountant" as part of the firm's name and to provide its professional services in this state, and licensees and individuals with practice privileges may provide services on behalf of such firms so long as it complies with the requirements of RCW 18.04.195(1)(f)(s). An individual or firm authorized under this subsection to use practice privileges in this state must comply with the requirements otherwise applicable to licensees in this section.

Sec. 6. RCW 18.04.205 and 2008 c 16 s 4 are each amended to read as follows:
(1) Each office established or maintained in this state for the purpose of offering to issue or issuing ((attest or compilation)) reports in this state or that uses the title "certified public accountant" or "CPA," shall register with the board under this chapter every three years.

(2) Each office established or maintained in this state shall be under the direct supervision of a resident licensee holding a license under RCW 18.04.105 and 18.04.215.

(3) The board shall by rule prescribe the procedure to be followed to register and maintain offices established in this state for the purpose of offering to issue or issuing attest or compilation reports or that use the title "certified public accountant" or "CPA."

(4) Fees for the registration of offices shall be determined by the board. Fees shall be paid by the applicant at the time the registration form is filed with the board.

Sec. 7. RCW 18.04.350 and 2008 c 16 s 6 are each amended to read as follows:

(1) Nothing in this chapter prohibits any individual not holding a license and not qualified for the practice privileges authorized by subsection (2) of this section from serving as an employee of a firm licensed under RCW 18.04.195 and 18.04.215. However, the employee shall not issue any ((compilation, review, audit, or examination)) report ((on financial or other information)) as defined in this chapter, on the information of any other persons, firms, or governmental units over his or her name.

(2) An individual whose principal place of business is not in this state shall be presumed to have qualifications substantially equivalent to this state's requirements and shall have all the privileges of licensees of this state without the need to obtain a license under RCW 18.04.105 if the individual:

(a) Holds a valid license as a certified public accountant from any state that requires, as a condition of licensure, that an individual:

(i) Have at least one hundred fifty semester hours of college or university education including a baccalaureate or higher degree conferred by a college or university;

(ii) Achieve a passing grade on the uniform certified public accountant examination; and
(iii) Possess at least one year of experience including service
or advice involving the use of accounting, attest, compilation,
management advisory, financial advisory, tax, or consulting skills,
all of which was verified by a licensee; or

(b) Holds a valid license as a certified public accountant from
any state that does not meet the requirements of (a) of this
subsection, but such individual's qualifications are substantially
equivalent to those requirements. Any individual who passed the
uniform certified public accountant examination and holds a valid
license issued by any other state prior to January 1, 2012, may be
exempt from the education requirements in (a)(i) of this subsection
for purposes of this section.

(3) Notwithstanding any other provision of law, an individual who
qualifies for the practice privilege under subsection (2) of this
section may offer or render professional services, whether in person
or by mail, telephone, or electronic means, and no notice, fee, or
other submission shall be provided by any such individual. Such an
individual shall be subject to the requirements of subsection (4) of
this section.

(4) Any individual licensee of another state exercising the
privilege afforded under subsection (2) of this section and the firm
that employs that licensee simultaneously consent, as a condition of
exercising this privilege:

(a) To the personal and subject matter jurisdiction and
disciplinary authority of the board;

(b) To comply with this chapter and the board's rules;

(c) That in the event the license from the state of the
individual's principal place of business is no longer valid, the
individual will cease offering or rendering professional services in
this state individually and on behalf of a firm; and

(d) To the appointment of the state board which issued the
certificate or license as their agent upon whom process may be served
in any action or proceeding by this state's board against the
certificate holder or licensee.

(5) An individual who qualifies for practice privileges under
subsection (2) of this section (may, for any entity with its home
office in this state, perform the following services only through a
firm that has obtained a license under RCW 18.04.195 and 18.04.215:

(a) Any financial statement audit or other engagement to be
performed in accordance with statements on auditing standards)
(b) Any examination of prospective financial information to be performed in accordance with statements on standards for attestation engagements; or

e. Any engagement to be performed in accordance with public company accounting oversight board auditing standards who performs any attest service described in RCW 18.04.025(1) may only do so through a firm which has obtained a license under RCW 18.04.195 and 18.04.215 or which meets the requirements for an exception from the firm licensure requirements under RCW 18.04.195(1) (a)(iii) or (b).

(6) A licensee of this state offering or rendering services or using their CPA title in another state shall be subject to disciplinary action in this state for an act committed in another state for which the licensee would be subject to discipline for an act committed in the other state. Notwithstanding RCW 18.04.295 and this section, the board shall cooperate with and investigate any complaint made by the board of accountancy of another state or jurisdiction.

(7) Nothing in this chapter prohibits a licensee, a licensed firm, any of their employees, or persons qualifying for practice privileges by this section from disclosing any data in confidence to other certified public accountants, quality assurance or peer review teams, partnerships, limited liability companies, or corporations of certified public accountants or to the board or any of its employees engaged in conducting quality assurance or peer reviews, or any one of their employees in connection with quality or peer reviews of that accountant's accounting and auditing practice conducted under the auspices of recognized professional associations.

(8) Nothing in this chapter prohibits a licensee, a licensed firm, any of their employees, or persons qualifying for practice privileges by this section from disclosing any data in confidence to any employee, representative, officer, or committee member of a recognized professional association, or to the board, or any of its employees or committees in connection with a professional investigation held under the auspices of recognized professional associations or the board.

(9) Nothing in this chapter prohibits any officer, employee, partner, or principal of any organization:

(a) From affixing his or her signature to any statement or report in reference to the affairs of the organization with any wording
designating the position, title, or office which he or she holds in
the organization; or
(b) From describing himself or herself by the position, title, or
office he or she holds in such organization.

(10) Nothing in this chapter prohibits any person or firm
composed of persons not holding a license under this chapter from
offering or rendering to the public bookkeeping, accounting, tax
services, the devising and installing of financial information
systems, management advisory, or consulting services, the preparation
of tax returns, or the furnishing of advice on tax matters, (the
preparation of financial statements, written statements describing
how such financial statements were prepared,) or similar services,
provided that persons, partnerships, limited liability companies, or
corporations not holding a license who offer or render these services
do not designate any written statement as (an "audit report,"
"review report," or "compilation report," do not issue any written
statement which purports to express or disclaim an opinion on
financial statements which have been audited, and do not issue any
written statement which expresses assurance on financial statements
which have been reviewed) a report as defined in RCW 18.04.025(21)
or use any language in any statement relating to the financial
affairs of a person or entity which is conventionally used by
licensees in reports or any attest service as defined in this
chapter.

(11) Nothing in this chapter prohibits any person or firm
composed of persons not holding a license under this chapter from
offering or rendering to the public the preparation of financial
statements, or written statements describing how such financial
statements were prepared, provided that persons, partnerships,
limited liability companies, or corporations not holding a license
who offer or render these services do not designate any written
statement as a report as defined in RCW 18.04.025(21), do not issue
any written statement that purports to express or disclaim an opinion
on financial statements that have been audited, and do not issue any
written statement that expresses assurance on financial statements
that have been reviewed. The board may prescribe, by rule, language
for the written statement describing how such financial statements
were prepared for use by persons not holding a license under this
chapter.
Nothing in this chapter prohibits any act of or the use of any words by a public official or a public employee in the performance of his or her duties.

Nothing contained in this chapter prohibits any person who holds only a valid certificate from assuming or using the designation "certified public accountant-inactive" or "CPA-inactive" or any other title, designation, words, letters, sign, card, or device tending to indicate the person is a certificate holder, provided, that such person does not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including issuance of reports (financial statements) or of one or more kinds of management advisory, financial advisory, consulting services, the preparation of tax returns, or the furnishing of advice on tax matters.

Nothing in this chapter prohibits the use of the title "accountant" by any person regardless of whether the person has been granted a certificate or holds a license under this chapter. Nothing in this chapter prohibits the use of the title "enrolled agent" or the designation "EA" by any person regardless of whether the person has been granted a certificate or holds a license under this chapter if the person is properly authorized at the time of use to use the title or designation by the United States department of the treasury. The board shall by rule allow the use of other titles by any person regardless of whether the person has been granted a certificate or holds a license under this chapter if the person using the titles or designations is authorized at the time of use by a nationally recognized entity sanctioning the use of board authorized titles.

--- END ---
**Agency:** Board of Accountancy

**Subject of possible rule making:**
WAC 4-30-010 Definitions.

**Statutes authorizing the agency to adopt rules on this subject:**
RCW 18.04.055; RCW 18.04.025; RCW 18.04.350.

**Reasons why rules on this subject may be needed and what they might accomplish:**
Rule-making is needed to implement definitions of Fiduciary Duty and Breach of Fiduciary Duty.
These definitions are needed in order to clarify a CPAs responsibility to clients.

**Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies:**
None.

**Process for developing new rule (check all that apply):**
- [ ] Negotiated rule making
- [ ] Pilot rule making
- [x] Agency study
- [ ] Other (describe)

**How interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication:**
(List names, addresses, telephone, fax numbers, and e-mail of persons to contact; describe meetings, other exchanges of information, etc.)
Charles E. Satterlund, Executive Director
Washington State Board of Accountancy
PO Box 9131
Olympia, WA 98507-9131
Phone: (360) 586-0785; Fax: (360) 664-9190
Email: customerservice@cpaboard.wa.gov

**DATE**
February 26, 2016

**CODE REVISER USE ONLY**

**NAME (TYPE OR PRINT):**
Charles E. Satterlund, CPA, CIA

**SIGNATURE**
[Signature]

**TITLE**
Executive Director

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

**DATE:** February 26, 2016
**TIME:** 11:03 AM
**WSR 16-06-075**
**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 brothersister 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 financial statement 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 examination of prospective financial information 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 (28) of this section.

(7) "Board" means the board of accountancy created by RCW 18.04.035.
(8) “Breach of Fiduciary Responsibilities/Duties” means when one person agrees or has been designated to act for another in a fiduciary relationship and the fiduciary acts in any manner adverse or contrary to the interests of the client, or for personal benefit in relation to the subject matter. This phrase includes failure to advise beneficiaries of their legal rights under state law as well as other fiduciary responsibilities/duties defined in the trust agreement or state law if the trust agreement is vague or omits the subject matter.

(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 (28) 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 (28) 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.

(1213) "Compilation" means providing a service to be performed in accordance with statements on standards for accounting and review services that is presenting in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the statements.

(1314) "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.
"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).

"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.

"CPE" means continuing professional education.

"Fiduciary" means a relationship wherein one person agrees to act for the interests and benefits of another person or persons. The term embraces, but is not limited to, legal relationships such as those between attorney and client, broker and principal, principal and agent, trustee and beneficiary, and executors or administrators and the heirs of a decedent's estate, a partner in an "at will partnership," a person granted an effective general or durable power of attorney. A person acting in a fiduciary capacity is held to a high standard of honesty and disclosure in regard to the client and must not obtain a personal benefit at the expense of the client.
"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.

"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 procedures provide a standard by which to measure financial presentations.

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

"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.

(2123) "Home office" is the location specified by the client as the address to which a service is directed.

(2224) "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.

(2325) "Individual" means a living, human being.

(2426) "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.

(2527) "Interactive self-study program" means a CPE program that provides feedback throughout the course.

(2628) "IRS" means Internal Revenue Service.
(2729) "License" means a license to practice public accounting issued to an individual or a firm under the act or the act of another state.

(2830) "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)(b).

(2931) "Manager" means a manager of a limited liability company licensed as a firm under the act.

(3032) "NASBA" means the National Association of State Boards of Accountancy.

(3133) "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.

(3234) "PCAOB" means Public Company Accounting Oversight Board.

(3335) "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.

(3436) "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.

(3537) "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.

(3638) "Principal place of business" means the office location designated by the licensee for purposes of substantial equivalency and reciprocity.

(3739) "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 "audit reports," "review reports," or "compilation reports" on financial statements, 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 ac-
"counting" 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.

(3840) "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.

(3941) "Reciprocity" means board recognition of licenses, permits, certificates or other public accounting credentials of another jurisdiction that the board will rely upon in full or partial satisfaction of licensing requirements.

(4042) "Referral fees" see definition of "commissions and referral fees" in subsection (11) of this section.

(4143) "Reports on financial statements" means any reports or opinions prepared by licensees, based on services performed in accordance with generally accepted auditing standards, standards for attestation engagements, or standards for accounting and review services, as to
whether the presentation of information used for guidance in financial transactions or for accounting for or assessing the status or performance of an entity, whether public, private, or governmental, conforms with generally accepted accounting principles or an "other comprehensive bases of accounting," or the presentation and disclosure requirements of other professional standards. "Reports on financial statements" does not include services referenced in RCW 18.04.350(10) provided by persons not holding a license under the act.

(4244) "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.

(4345) "Rules of professional conduct" means rules adopted by the board to govern the conduct of licensees, as defined in subsection (28) 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).

(4446) "SEC" means the Securities and Exchange Commission.

(4547) "Sole proprietorship" means a legal form of organization owned by one person meeting the requirements of RCW 18.04.195.
"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).

"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.

"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.

"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.
PREPROPOSAL STATEMENT OF INQUIRY

Agency: Board of Accountancy

Subject of possible rule making:
WAC 4-30-142 What are the bases for the board to impose discipline?

Statutes authorizing the agency to adopt rules on this subject:
RCW 18.04.055; RCW 18.04.295; RCW 18.04.305, 12.04.350.

Reasons why rules on this subject may be needed and what they might accomplish:
Rule-making is needed to add language to 04-30-142 (5) (h) to include not issuing an asset distribution report not containing all of the disclosures outlined in RCW 11.96a.070 (b) under the description of discharging a trustee’s duties in a negligent manner or breaching one’s fiduciary duties.

Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies:
None.

Process for developing new rule (check all that apply):
☐ Negotiated rule making
☐ Pilot rule making
☒ Agency study
☐ Other (describe)

How interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication:
(List names, addresses, telephone, fax numbers, and e-mail of persons to contact; describe meetings, other exchanges of information, etc.)
Charles E. Satterlund, Executive Director
Washington State Board of Accountancy
PO Box 9131
Olympia, WA 98507-9131
Phone: (360) 586-0785; Fax: (360) 664-9190
Email: customerservice@cpaboard.wa.gov

DATE
February 26, 2016

CODE REVISER USE ONLY

DATE: February 26, 2016
TIME: 11:08 AM
WSR 16-06-077
WAC 4-30-142 What are the bases for the board to impose discipline? RCW 18.04.055, 18.04.295, 18.04.305, and 18.04.350 authorize the board to revoke, suspend, refuse to issue, renew, or reinstate an individual or firm license, CPA-Inactive certificate, the right to exercise practice privileges in this state, or registration as a resident nonlicensee firm owner; impose a fine not to exceed thirty thousand dollars; recover investigative and legal costs; impose full restitution to injured parties; impose remedial sanctions; impose conditions precedent to renew; or prohibit a resident nonlicensee from holding an ownership interest in a firm licensed in this state for the specific acts listed below.

The following are specific examples of prohibited acts that constitute grounds for discipline under RCW 18.04.295, 18.04.305, and 18.04.350. The board does not intend this listing to be all inclusive.

(1) Fraud or deceit in applying for the CPA examination, obtaining a license, registering as a resident nonlicensee firm owner, or in any filings with the board.

(2) Fraud or deceit in renewing or requesting reinstatement of a license, CPA-Inactive certificate, registration as a resident nonlicensee firm owner.
(3) Cheating on the CPA exam.

(4) Making a false or misleading statement in support of another person's application or request to:

(a) Take the national uniform CPA examination;

(b) Obtain a license or registration required by the act or board;

(c) Reinstatement or modify the terms of a revoked or suspended license, certificate, or registration as a resident nonlicensee firm owner in this state;

(d) Reinstating revoked or suspended practice privileges of an individual or firm licensed in another state.

(5) Dishonesty, fraud, or negligence while representing oneself as a licensee, CPA-Inactive certificate holder, or a resident nonlicensee firm owner including but not limited to:

(a) Practicing public accounting in Washington state prior to obtaining a license required by RCW 18.04.215 or 18.04.195;

(b) Offering or rendering public accounting services in this state by an out-of-state individual or firm not qualified for practice privileges under RCW 18.04.195 or 18.04.350(2);

(c) Making misleading, deceptive, or untrue representations;

(d) Engaging in acts of fiscal dishonesty;
(e) Purposefully, knowingly, or negligently failing to file a report or record, or filing a false report or record, required by local, state, or federal law;

(f) Unlawfully selling unregistered securities;

(g) Unlawfully acting as an unregistered securities salesperson or broker-dealer;

(h) Discharging a trustee's duties in a negligent manner or breaching one's fiduciary duties; or, including issuing an asset distribution report not containing all of the disclosures outlined in RCW 11.96A.070 (b); or

(i) Withdrawing or liquidating, as fees earned, funds received by a licensee, CPA-Inactive certificate holder, or a resident nonlicensee firm owner from a client as a deposit or retainer when the client contests the amount of fees earned, until such time as the dispute is resolved.

(6) The following shall be prima facie evidence that a licensee, as defined in WAC 4-30-010, CPA-Inactive certificate holder, a nonlicensee firm owner, or the employees of such persons has engaged in dishonesty, fraud, or negligence while representing oneself as a licensee, as defined in WAC 4-30-010, CPA-Inactive certificate holder, a nonlicensee firm owner, or an employee of such persons:
(a) An order of a court of competent jurisdiction finding that the person or persons committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on the person's fitness to represent himself, herself, or itself as a licensee, as defined in WAC 4-30-010, CPA-Inactive certificate holder, or a nonlicensee firm owner;

(b) An order of a federal, state, local or foreign jurisdiction regulatory body, or a PCAOB, finding that the licensee, as defined in WAC 4-30-010, CPA-Inactive certificate holder, or nonlicensee firm owner, or employee of such persons committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on the person's fitness to represent himself, herself, or itself as a licensee, as defined in WAC 4-30-010, a CPA-Inactive certificate holder, or a nonlicensee firm owner;

(c) Cancellation, revocation, suspension, or refusal to renew the right to practice as a licensee, certificate holder, or a nonlicensee firm owner by any other state for any cause other than failure to pay a fee or to meet the requirements of continuing education in the other state; or

(d) Suspension or revocation of the right to practice before any state agency, federal agency, or the PCAOB.
(7) Sanctions and orders entered by a nongovernmental professionally related standard-setting body for violation of ethical or technical standards in the practice of public accounting by a licensee, CPA-Inactive certificate holder, or nonlicensee firm owner;

(8) Any state or federal criminal conviction or commission of any act constituting a crime under the laws of this state, or of another state, or of the United States.

(9) A conflict of interest such as:

(a) Self dealing as a trustee, including, but not limited to:

(i) Investing trust funds in entities controlled by or related to the trustee;

(ii) Borrowing from trust funds, with or without disclosure; and

(iii) Employing persons related to the trustee or entities in which the trust has a beneficial interest to provide services to the trust (unless specifically authorized by the trust creation document).

(b) Borrowing funds from a client unless the client is in the business of making loans of the type obtained by the licensee, as defined in WAC 4-30-010, CPA-Inactive certificate holder, or nonlicensee firm owner and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness.
(10) A violation of the Public Accountancy Act or failure to comply with a board rule contained in Title 4 WAC, by a licensee, defined in WAC 4-30-010, CPA-Inactive certificate holder, or employees of such persons of this state or a licensee of another substantially equivalent state qualified for practice privileges, including but not limited to:

(a) An out-of-state individual exercising the practice privileges authorized by RCW 18.04.350(2) when not qualified;

(b) Submission of an application for firm license on behalf of a firm licensed in another state and required to obtain a license under RCW 18.04.195 (1)(a)(iii) by an out-of-state individual not qualified under RCW 18.04.350(2) or authorized by the firm to make such application;

(c) Failure of an out-of-state individual exercising the practice privileges authorized under RCW 18.04.350(2) to cease offering or performing professional services in this state, individually or on behalf of a firm, when the license from the state of the out-of-state individual's principal place of business is no longer valid;

(d) Failure of an out-of-state individual exercising the practice privileges authorized under RCW 18.04.350(2) to cease offering or performing specific professional services in this state, individually or
on behalf of a firm, when the license from the state of the out-of-
state individual's principal place of business has been restricted
from performing those specific services;

(e) Failure of a firm not licensed in this state to cease offer-
ing or performing professional services in this state through one or
more out-of-state individuals whose license from the state of those
individuals' principal place(s) of business is (are) no longer valid
or is (are) otherwise restricted from performing the specific engage-
ment services;

(f) Failure of a licensed firm to comply with the ownership re-
quirements of RCW 18.04.195 within a reasonable time period, as deter-
mined by the board;

(g) Failure of a firm licensed in this state or another state to
comply with the board's quality assurance program requirements, when
applicable.

(11) Violation of one or more of the rules of professional con-
duct included in Title 4 WAC.

(12) Concealing another's violation of the Public Accountancy Act
or board rules.

(13) Failure to cooperate with the board by failing to:
(a) Furnish any papers or documents requested or ordered to produce by the board;

(b) Furnish in writing a full and complete explanation related to a complaint as requested by the board;

(c) Respond to an inquiry of the board;

(d) Respond to subpoenas issued by the board, whether or not the recipient of the subpoena is the accused in the proceeding.

(14) Failure to comply with an order of the board.

(15) Adjudication of a licensee, as defined by WAC 4-30-010, CPA-Inactive certificate holder, or a nonlicensee firm owner as mentally incompetent is prima facie evidence that the person lacks the professional competence required by the rules of professional conduct.

(16) Failure of a licensee, as defined by WAC 4-30-010, CPA-Inactive certificate holder, nonlicensee firm owner, or out-of-state person exercising practice privileges authorized by RCW 18.04.195 and 18.04.350 to timely notify the board, in the manner prescribed by the board, of any of the following:

(a) A sanction, order, suspension, revocation, or modification of a license, certificate, permit or practice rights by the SEC, PCAOB, IRS, or another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure
to meet the continuing professional education requirements of another state board of accountancy;

(b) Charges filed by the SEC, IRS, PCAOB, another state board of accountancy, or a federal or state taxing, insurance or securities regulatory body that the licensee, CPA-Inactive certificate holder, or nonlicensee firm owner committed a prohibited act that would be a violation of board ethical or technical standards;

(c) Sanctions or orders entered against such persons by a nongovernmental professionally related standard-setting body for violation of ethical or technical standards in the practice of public accounting by a licensee, CPA-Inactive certificate holder, or nonlicensee firm owner.

3/15/02; WSR 00-11-078, § 4-25-910, filed 5/15/00, effective 6/30/00.

Washington Board of Accountancy
Peer Review Oversight Committee

Summary of Report Acceptance Body Meeting

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) observes selected Report Acceptance Body (RAB) meetings as further described in the PROC's operating guidelines. The RAB meetings generally occur via conference call. RAB members are provided with the materials needed to review and present the peer reports subject to discussion on a general call. The objective of this aspect of PROC oversight is to observe how the RAB executes its duties in the meeting and determine whether or not this aspect of the peer review program is operating effectively in the state of Washington. These matters are then summarized and reported to the Washington Board of Accountancy as part of the PROC reporting.

Date of Meeting: January 29, 2016

Number of reports discussed at the meeting: 14

<table>
<thead>
<tr>
<th>EVALUATION OF THE TECHNICAL ASPECTS OF THE MEETING CONTENT AND DISCUSSION</th>
<th>YES</th>
<th>NO</th>
<th>N/A</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do the RAB members appear knowledgeable about their responsibilities?</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Do the RAB members resolve inconsistencies and disagreements before accepting the reports?</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. If inconsistencies and disagreements are not resolved, are alternative courses of action agreed to (including but not limited to further research of the unresolved matters with discussion planned to occur at a future meeting)?</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>
4. Are RAB members knowledgeable about:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>The technical aspects of their reviews, both peer review standards as well as general audit and accounting standards?</td>
<td>✓</td>
</tr>
<tr>
<td>b.</td>
<td>Critical peer review issues and risk considerations (focus matters)?</td>
<td>✓</td>
</tr>
<tr>
<td>c.</td>
<td>Industry specific issues (i.e. Requirements of ERISA, Government Audit standards/Regulations, etc.)?</td>
<td>✓</td>
</tr>
<tr>
<td>d.</td>
<td>The differences in matters, findings, deficiencies and significant deficiencies?</td>
<td>✓</td>
</tr>
<tr>
<td>e.</td>
<td>Appropriate types of reports?</td>
<td>✓</td>
</tr>
<tr>
<td>f.</td>
<td>Circumstances for requiring revisions to review documents?</td>
<td>✓</td>
</tr>
<tr>
<td>g.</td>
<td>Appropriateness of recommended corrective or monitoring actions?</td>
<td>✓</td>
</tr>
</tbody>
</table>

5. Are technical reviewers available during the meeting to address issues as they arise?

6. Do technical reviewers appear knowledgeable about their function and responsibilities?

7. Are technical reviews performed sufficiently timely after the review documents are submitted to the Peer Review Program?

Not observed at this meeting.
8. Are technical reviewers knowledgeable about:
   a. Treatment of engagements that fail to meet professional standards and implications for reporting? ✓
   b. Review scope and (for system reviews) risk assessments? ✓
   c. Appropriate forms and content of reports and response letters? ✓
   d. Proper completion of MFC and FFC forms? ✓
   e. Revisions to Peer Review documents? ✓

9. Were any specific problems or issues discussed? ✓

10. Does it appear that appropriate decisions were made regarding:
    a. Corrective or monitoring actions? ✓
    b. Scope of the review? ✓
    c. Revisions to review documents? ✓
    d. Requests for extensions? ✓
    e. Conclusions on any problem reviews? ✓

Several specific issues were discussed and resolved.
11. Based on your observations, were the RAB's discussions and their conclusions on the reviews presented reasonable? ☑️

12. When performance issues are identified, does the RAB provide adequate feedback to Team Captains that aid in improving the peer review program? ☑️

13. Comment regarding the overall evaluation of the technical aspects of the meeting content and discussion. The discussion for each report accepted was app

<table>
<thead>
<tr>
<th>EVALUATION OF THE GENERAL RAB MEETING PROCESS</th>
<th>YES</th>
<th>NO</th>
<th>N/A</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>14. Was sufficient time allowed for discussion of each report or matter?</td>
<td>☑️</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Were there a required minimum number of committee members present?</td>
<td>☑️</td>
<td></td>
<td></td>
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<tr>
<td>16. Was the nature of the discussion appropriate and were recommendations for courses of action reasonable for the reports discussed? (consider recommendations for education, discipline, etc.)</td>
<td>☑️</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Do members appear to have a good rapport with one another and openly/candidly provide feedback for the report discussion?</td>
<td>☑️</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Were any specific problems or issues discussed?</td>
<td>☑️</td>
<td></td>
<td></td>
<td>Several specific issues were discussed and resolved.</td>
</tr>
</tbody>
</table>
19. Comments regarding the overall evaluation of general meeting process:
The discussions and conclusions were knowledgeable and appropriate.

**CONCLUSION**

20. At the conclusion of the meeting, discuss our observations with the individual leading the RAB Committee Meeting. Matters discussed:

21. Rate the meeting as to its effectiveness for its role in the peer review process:

- [x] Meets Expectations
- [ ] Does Not Meet Expectations (requires a comment below)

22. Other comments, if any:

The above checklist was prepared by:

**Nina Gerbic**

Print Name

**Nina Gerbic**

Signature
Dear Mr. Neill:

We have completed our monitoring and evaluation of the AICPA Peer Review Program administered by the Washington Society of CPAs (WSCPA) for the period from January 1, 2015, through December 31, 2015. Our oversight work was performed in accordance with the Operating Agreement between the Washington State Board of Accountancy (Board) and the Washington State Society of CPAs (WSCPA) for State Oversight of the AICPA Peer Review Program.

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

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

The WSCPA administration of the peer review program is performed by a Peer Review Committee and two Report Acceptance Bodies (RABs). They are assisted by three technical reviewers engaged by the WSCPA who receive peer review reports from firms upon completion of their reviews. These reports and certain review documents provided by the peer reviewer are reviewed by the technical reviewers who summarize the information and obtain explanations from peer reviewers and require revisions as considered necessary. The RABs receive this information for review, acceptance, modification, and determination of any follow up and/or monitoring actions to be performed relative to the peer review.
We observed thirty-three percent of the meetings of the Peer Review Committee (one) and fourteen percent of the RAB meetings (two) that occurred during the period above and one RAB meeting in January 2016. The System RAB, which reviews firms that perform audits and other attest engagements, met nine times and the Engagement RAB, which reviews firms that do not perform audit or attestation engagements, met five times. Some of these meetings were tele-conferences. For each meeting observed we received the information that the RABs had available to make their conclusions prior to the meetings and observed, without comment, the proceedings. One PROC member observed each such meeting. After each of the meetings, the PROC member completed a standardized checklist and summarized any observations.

During the period covered by this report, the System RAB reviewed 71 reports and accepted 60 (85%) without follow-up or monitoring actions required. The remaining 11 (15%) firms were subjected to further monitoring by the RAB. Four other firms’ reviews were deferred to obtain additional information. Of the 71 reports, 62 (87%) were rated “pass” by the peer reviewer, 3 (4%) were rated as “pass with deficiency(ies)” and 6 (9%) were rated “fail”.

The Engagement RAB reviewed 127 reports and accepted 105 (83%) without follow-up or monitoring actions. The remaining 22 (17%) firms were subjected to further monitoring by the RAB. Of the 127 reports, 110 (87%) received a rating of “pass”, 13 (10%) received a rating of “pass with deficiency(ies)” and 4 (3%) received a rating of “fail”.

In addition, the Board’s Executive Director observed the exit conference conducted by the AICPA on its oversight visit of the WSCPA’s peer review program. No significant issues or concerns were raised by the AICPA in its 2015 oversight of the program.

Schedule I is a summary of matters we observed during the Peer Review Committee and RAB meetings.

Based upon the results of the procedures we performed, it is our conclusion that peer reviews administered by WSCPA for the period from January 1, 2015, through December 31, 2015, were conducted and reported on in accordance with the standards of the AICPA Peer Review Program and that the AICPA program can be relied upon as a basis for excluding licensee firms from undergoing Board initiated reviews.

Sincerely,

PEER REVIEW OVERSIGHT COMMITTEE

________________________
Edwin G. Jolicoeur, Chairman
SCHEDULE I

SUMMARY OF OBSERVATIONS OF PEER REVIEW OVERSIGHT COMMITTEE
For the period from January 1, 2015 through December 31, 2015

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

1. The PRC and RABs had good discussions relative to the more difficult reports (which contained matters for further consideration (MFCs) and findings for further consideration (FFCs)).

2. The members of the RABs had good discussions about the ratings being given on the reviews and did not always agree with the reviewer between the “pass”, “pass with deficiencies” and “fail” conclusions reached. Their recommended follow-up actions, however, generally tried to identify what would improve the quality of the firm’s attest work the most.

3. The WSCPA is making efforts to get additional RAB members and is trying hard to obtain more peer reviewers to help with the increased work load due to the transfer of the Board’s compliance review program to the AICPA program.

4. The RAB structure was updated to identify reviewers who had expertise in the must pick engagements to create a virtual RAB, so to speak, to ensure the acceptance process adequately addressed the needs of those firms.
2015 CPE Audit

• The 2015 CPE Audit concluded on February 21, 2016

• 372 Individuals were selected for the Audit
  o 335 Passed
  o 37 Failed

• 318 Licensees
  o 285 Passed
  o 1 Long Term Contract
  o 1 Pending Documentation Translation
  o 31 Failed
    ▪ 6 For failure to respond
    ▪ 25 For failure to complete CPE

• 53 Certificate holders
  o 47 Passed
  o 6 Failed
    ▪ 2 For failure to respond
    ▪ 4 For failure to complete CPE

• 1 Non CPA Firm Owner
  o 1 Passed
**Population**

- **2009 - 5536**
  - Certificateholders: 855
  - Licensees: 4679
  - NL Firm Owner: 2
- **2010 - 5332**
  - Certificateholders: 698
  - Licensees: 4629
  - NL Firm Owner: 5
- **2011 - 1466**
  - Certificateholders: 21
  - Licensees: 1380
  - NL Firm Owner: 4
- **2012 - 5095**
  - Certificateholders: 535
  - Licensees: 4558
  - NL Firm Owner: 2
- **2013 - 5628**
  - Certificateholders: 567
  - Licensees: 5061
  - NL Firm Owner: 5
- **2014 - 2310**
  - Certificateholders: 29
  - Licensees: 2269
  - NL Firm Owner: 12
- **2015 - 5677**
  - Certificateholders: 494
  - Licensees: 5171
  - NL Firm Owner: 12

**Pulled for Audit**

- **2009 – 153 - 2.7%**
  - Certificateholders: 14-2.0%
  - Licensees: 139-3.0%
  - NL Firm Owner: 0-00%
- **2010 – 190 - 3.5%**
  - Certificateholders: 43-6.0%
  - Licensees: 147-3.0%
  - NL Firm Owner: 0-00%
- **2011 – 127 - 8.6%**
  - Certificateholders: 3-1.4%
  - Licensees: 124-9.0%
  - NL Firm Owner: N/A
- **2012 – 125 -2.5%**
  - Certificateholders: 1-0.01%
  - Licensees: 124-2.7%
  - NL Firm Owner: N/A
- **2013 – 106 -1.8%**
  - Certificateholders: 8-1.4%
  - Licensees: 98-1.9%
  - NL Firm Owner: N/A
- **2014 – 155-6.7%**
  - Certificateholders: 4-13.0%
  - Licensees: 149- 6.5%
  - NL Firm Owner: 2-16.6%
- **2015 – 372 -6.6%**
  - Certificateholders: 53-10.1%
  - Licensees: 318-6.1%
  - NL Firm Owner: 1-8.3%

**Results**

- **2009**
  - Passed: 136-89%
  - Failed-Enforcement: 8-05%
  - Failed-Admin notice: 9-06%
- **2010**
  - Passed: 180-95%
  - Failed-Enforcement: 10-05%
  - Failed-Admin notice: 0-00%
- **2011**
  - Passed: 119-94%
  - Failed-Enforcement: 8-06%
- **2012**
  - Passed: 119-95%
  - Failed-Enforcement: 6- 5%
- **2013**
  - Passed: 98-92%
  - Failed-Enforcement: 8- 7%
  - Other FTR: 3- 1%
- **2014**
  - Passed: 140-90%
  - Failed-Enforcement: 14- 9%
  - Other- FTR: 1- 1%
- **2015**
  - Passed: 335-90%
  - Failed-Enforcement: 29-7%
  - Other- FTR: 8-3%
Elizabeth Masnari, CPA, Chair

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

**Approved Firm Names:**

Access Accounting and Tax Services PS
Long Enterprises, PLLC
Burt Tax & Accounting, Inc.
Fruci & Associates II, PLLC
H&M Associates, PLLC
Harris Accounting Associates PLLC
LTSP, Inc.
PKF O’Connor Davies, LLP
M E Bravos CPA
US&CO CPA’s – WA, PLLC DBA US&CO Certified Public Accountants PLLC

**Professional/Educational Organization – Recognition Requests** – During the 1st quarter in 2016, the Board did not receive any requests for recognition of an educational organization for purposes of obtaining list requests.

**Domestic or International Education Credential Evaluation Services – Applications** – During the 1st quarter in 2016, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.
<table>
<thead>
<tr>
<th>Account</th>
<th>Expenditure Authority</th>
<th>By Account/Expenditure Authority</th>
<th>By Object</th>
<th>Total for Object</th>
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(For a complete listing of all items, please see the last page of the report.)

1650 - State Board of Accounting
### Fund Details

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Balance As Of:</td>
<td>3/31/2016</td>
</tr>
<tr>
<td>Book Balance:</td>
<td>3,365,027.10</td>
</tr>
<tr>
<td>Outstanding Warrants:</td>
<td>440.00</td>
</tr>
<tr>
<td>Cash Balance:</td>
<td>3,365,467.10</td>
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</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance As Of:</td>
<td>3/31/2016</td>
</tr>
<tr>
<td>Book Balance:</td>
<td>300,000.00</td>
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<tr>
<td>Outstanding Warrants:</td>
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<tr>
<td>Cash Balance:</td>
<td>-300,000.00</td>
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### Fund Information

- **Fund Code:** 20D
- **Fund Name:** CPA SCHOLARSHIP TRANSFER ACCOUNT
- **Fund Type:** SPECIAL REVENUE FUNDS (BA)
- **Treasury Type:** Treasury Trust (T)
- **Budget Type:** Nonappropriated/Nonallotted (N)
- **Roll-Up Fund:** HIGHER EDUCATION FUND (FBG)
- **Agency:** STATE BOARD OF ACCOUNTANCY (1850)
- **Statute:** 28B.123.050
- **GAAP Fund Type:** SPECIAL REVENUE FUNDS (B)
- **Active:** Active
- **DOT Fund:** No
### Board of Accountancy
**Washington State**

**Enforcement Report**

Quarter Report (Jan 01, 2016 through Mar 31, 2016)

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<tr>
<th></th>
<th>Complaints</th>
<th>Investigations</th>
<th>Period Total</th>
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<tr>
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<td>21</td>
<td>27</td>
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<tr>
<td>Received during period</td>
<td>28</td>
<td>21</td>
<td>28</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>34</strong></td>
<td><strong>21</strong></td>
<td><strong>55</strong></td>
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<table>
<thead>
<tr>
<th>Complaints opened as investigations</th>
<th>(18)</th>
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<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
<td><strong>39</strong></td>
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<table>
<thead>
<tr>
<th>Complaints Dismissed</th>
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<tbody>
<tr>
<td>(Administrative)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(investigated &lt;= 180 days)</td>
<td>(9)</td>
<td>(9)</td>
<td>(9)</td>
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<td>(investigated &gt; 180 days)</td>
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<td>(1)</td>
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<td><strong>Total</strong></td>
<td><strong>6</strong></td>
<td><strong>39</strong></td>
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<table>
<thead>
<tr>
<th>Cases Dismissed</th>
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<tbody>
<tr>
<td>(Administrative)</td>
<td>(5)</td>
<td></td>
<td>(5)</td>
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<tr>
<td>(investigated &lt;= 180 days)</td>
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<tr>
<td>(investigated &gt; 180 days)</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>30</strong></td>
<td><strong>36</strong></td>
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<table>
<thead>
<tr>
<th>Cases Closed</th>
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<tbody>
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<td>(Administrative)</td>
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<td>(investigated &lt;= 180)</td>
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<td>(investigated &gt; 180)</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>17</strong></td>
<td><strong>23</strong></td>
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