

Washington State Ethics & Regulations for CPA Applicants

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Washington ethics for CPA applicants

About this study guide

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

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

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

About the Board's test

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

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

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

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

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

Board objectives

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

After you obtain your CPA License - ongoing requirements

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

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

All CPE authors must submit course materials for the ethics course to the Board for approval prior to delivery of the content for credit. Information is available on the Board's website to help you find approved course providers for this on-going requirement.

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

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

The course must also include detailed information on the following:

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

The course must also include case study scenarios demonstrating how to comply with the relevant provisions of the AICPA Code of Conduct and the Board's statutory or regulatory framework when faced with ethical situations that might occur when

offering or performing a specific type of professional service in the practice of public accounting or as a professionally regulated person not in the practice of public accounting.

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

Read this section! Important things you need to know

The CPA profession is a government regulated profession

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

Washington administrative rules have the force of law

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

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

Washington administrative rules can be more restrictive

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

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

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

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

Covered relationships are broadly defined

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

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

Washington primary authorities

Revised Code of Washington

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

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

Washington State Board of Accountancy

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

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

The Board’s Executive Director is not hired by the Board but is appointed by and serves at the pleasure of the Governor. RCW 18.01.045(5). Therefore the Executive Director does not answer to the Board, but works collaboratively with the Board to administer the Public Accountancy Act.

Washington Administrative Code

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

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

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

Washington Board of Accountancy Board Policies

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

- 2002-2, Expert Witness Services.
- 2002-4, International Reciprocity.
- 2003-1, Safe Harbor Report Language for Use by Non-CPAs.
- 2004-1, Administrative Violation Guidelines.
- 2011-1, Principles Underlying Board Rules.
- 2012-1, Social Media.
- 2015-1, Board Member Travel and Attendance at Group Meetings.
- 2017-01, Investigative and Disciplinary Process.
- 2017-02, Publication and Disclosure of Disciplinary Actions.

The American Institute of Certified Public Accountants

The American Institute of Certified Public Accountants (AICPA) is the world's largest association representing the accounting profession, with over 400,000 members in 130 countries. Its mission is to provide members with the resources, information, and leadership that enable them to provide valuable services in the highest professional manner to benefit the public as well as employers and clients. In fulfilling its mission, the AICPA works with state CPA organizations and gives priority to those areas where public reliance on CPA skills is most significant.

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

The Public Company Accounting Oversight Board

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

The Washington Public Accountancy Act

Purpose

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

Promoting the dependability of information

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

Protecting the public interest

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

- Persons who hold themselves out as licensees or certificate holders conduct themselves in a competent, ethical, and professional manner. RCW 18.04.015(1)(b)(i).
- A public authority be established that is competent to prescribe and assess the qualifications of certified public accountants, including certificate holders who are not licensed for the practice of public accounting. RCW 18.04.015(1)(b)(ii).
- Persons other than licensees refrain from using the words "audit," "review," and "compilation" when designating a report customarily prepared by someone knowledgeable in accounting. RCW 18.04.015(1)(b)(iii).
- A public authority be established to provide for consumer alerts and public protection information to be published regarding persons or firms who violate the Act or Board rule and to provide general consumer protection information to the public. RCW 18.04.015(1)(b)(iv).
- The use of accounting titles likely to confuse the public is prohibited. RCW 18.04.015(1)(b)(v).

Exception for government officials or government employees

The Public Accountancy Act does not apply to a CPA serving as an official or employee of a government entity. RCW 18.04.350(12).

Officials or employees of government entities are subject to the Ethics in Public Service Act. Chapter 42.52 RCW. This act promotes ethics of integrity, objectivity, selflessness, stewardship, and transparency and is administered for government officials and employees by the Executive Ethics Board.

Washington covered titles and services

"Certified public accountant" or "CPA"

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

"CPA Inactive Certificate holder"

"CPA Inactive Certificate holder" means the holder of a certificate as a certified public accountant who has not become a licensee, has maintained CPE requirements, and who does not practice public accounting. RCW 18.04.025(4). "Inactive" means the certificate is in an inactive status because a person who held a valid certificate before July 1, 2001, has not met the current requirements of licensure and has been granted inactive certificate holder status through an approval process established by the Board. RCW 18.04.025(10).

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

Those with the CPA-Inactive title only have use of that title and are prohibited from holding themselves out to the public as engaging in the practice of public accounting.

"CPA Retired"

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

Similar to "CPA-Inactive" status, a person with a "CPA-Retired" designation is prohibited from holding themselves out to the public as engaging in the practice of public accounting.

"Military Status"

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

"Representing oneself"

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

"Holding out"

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

The "practice of public accounting"

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

- One or more kinds of services involving the use of accounting or auditing skills, including the issuance of "reports." RCW 18.04.025(18).
- One or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters. RCW 18.04.025(18).
- The "practice of public accounting" shall not include practices by persons or firms not required to be licensed as a CPA. RCW 18.04.025(18).

"Attest services"

"Attest" means providing the following services.

- Any audit or other engagement to be performed in accordance with the statements on auditing standards.
- Any review of a financial statement to be provided in accordance with the statements on standards for accounting and review services.
- Any engagement to be performed in accordance with the statements on standards for attestation engagements.

- Any engagement to be performed in accordance with the Public Company Accounting Oversight Board auditing standards. RCW 18.04.025(1).

"Compilation"

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

General standards that govern a CPA

Board expectations

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

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

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

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

The AICPA Code of Professional Conduct

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

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

AICPA rules for members in public practice

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

AICPA rules for members in business

Members in business are subject to five AICPA rules.

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

AICPA rules for other members

Other members are subject to the rule for acts discreditable.

Integrity and objectivity

AICPA rule

In the performance of any professional service, a member shall:

- Maintain objectivity and integrity,
- Shall be free of conflicts of interest,
- Shall not knowingly misrepresent facts, and
- Shall not subordinate his or her judgment to others. ET Sections 1.100.001 and 2.100.001.

Washington rule

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

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

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

“Integrity” and “objectivity” defined

Integrity requires a member to be, among other things, honest and candid within the constraints of client confidentiality. Service and the public trust should not be subordinated to personal gain and advantage. Integrity can accommodate the inadvertent error and honest difference of opinion; it cannot accommodate deceit or subordination of principle. ET Section 0.300.040.03.

Objectivity is a state of mind, a quality that lends value to a member’s services. It is a distinguishing feature of the profession. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest. ET Section 0.300.050.02.

Conflicts of interest

A member or his or her firm may (if the member is in public practice) be faced with a conflict of interest when performing a professional service. In determining whether a

professional service, relationship or matter would result in a conflict of interest, a member should use professional judgment, taking into account whether a reasonable and informed third party who is aware of the relevant information would conclude that a conflict of interest exists. ET Sections 1.110.010.01 and 2.110.010.01.

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

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

- Referring a personal financial planning or tax client to an insurance broker or other service provider, which refers clients to the member under an exclusive arrangement.
- A client asks the member to provide tax or personal financial planning services to its executives, and the services could result in the member recommending to the executives actions that may be adverse to the company.
- A member serves as a director or an officer of a local United Way or similar organization that operates as a federated fund-raising organization from which local charities receive funds. Some of those charities are clients of the member's firm.
- A member who is an officer, a director, or a shareholder of an entity has significant influence over the entity, and that entity has a loan to or from a client of the firm. ET Section 1.110.010.04.

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

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

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

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

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

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

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

Knowing misrepresentations in preparation of statements or records

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

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

Subordination of judgment

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

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

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

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

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

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

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

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

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

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

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

Client advocacy

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

Some professional services involving client advocacy may stretch the bounds of performance standards, go beyond sound and reasonable professional practice, or compromise credibility, thereby creating threats to the member's compliance with the rules and damaging the reputation of the member and the member's firm. If such circumstances exist, the member and member's firm should determine whether it is appropriate to perform the professional services. ET Section 1.140.020.03.

General standards of professional behavior

Competence

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

Due professional care

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

Adequate planning and supervision

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

Sufficient data

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

Washington rule

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

Competence defined

Competence, in this context, means that the member or member's staff possess the appropriate technical qualifications to perform professional services and that the member, as required, supervises and evaluates the quality of work performed. Competence encompasses knowledge of the profession's standards, the techniques and technical subject matter involved, and the ability to exercise sound judgment in applying such knowledge in the performance of professional services. ET Sections 1.300.010.01 and 2.300.010.01.

A member's agreement to perform professional services implies that the member has the necessary competence to complete those services according to professional standards and to apply the member's knowledge and skill with reasonable care and diligence. However, the member does not assume a responsibility for infallibility of knowledge or judgment. ET Sections 1.300.010.02 and 2.300.010.02.

The member may have the knowledge required to complete the services in accordance with professional standards prior to performance. A normal part of providing professional services involves performing additional research or consulting with others to gain sufficient competence. ET Sections 1.300.010.03 and 2.300.010.03.

If a member is unable to gain sufficient competence, the member should suggest the engagement of a competent person to perform the needed professional service, either independently or as an associate. ET Sections 1.300.010.04 and 2.300.010.04.

Compliance with standards and departures

AICPA rule and following standards

A member who performs auditing, review, compilation, management consulting, tax, or other professional services shall comply with standards promulgated by bodies designated by Council. ET Sections 1.310.001.01 and 2.310.001.01.

AICPA rule and departures from standards

A member shall not express an opinion or state affirmatively that the financial statements or other financial data of any entity are presented in conformity with generally accepted accounting principles or state that he or she is not aware of any material modifications that should be made to such statements or data in order for them to be in conformity with generally accepted accounting principles, if such statements or data contain any departure from an accounting principle promulgated by bodies designated by Council to establish such principles that has a material effect

on the statements or data taken as a whole. ET Sections 1.320.001.01 and 2.320.001.01.

If, however, the statements or data contain such a departure and the member can demonstrate that due to unusual circumstances the financial statements or data would otherwise have been misleading, the member can comply with the rule by describing the departure, its approximate effects, if practicable, and the reasons why compliance with the principle would result in a misleading statement. ET Sections 1.320.001.01 and 2.320.001.01.

Washington rule

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

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

Examples of professional standards include:

- Statements on Auditing Standards and related Auditing Interpretations issued by the AICPA. WAC 4-30-048(1).
- Statements on Standards for Accounting and Review Services and related Accounting and Review Services Interpretations issued by the AICPA. WAC 4-30-048(2).
- Statements on Governmental Accounting and Financial Reporting Standards issued by GASB. WAC 4-30-048(3).
- Statements on Standards for Attestation Engagements and related Attestation Engagements Interpretations issued by AICPA. WAC 4-30-048(4).
- Statements of Financial Accounting Standards and Interpretations, and Staff Positions issued by FASB, together with those Accounting Research Bulletins and Accounting Principles Board Opinions which are not superseded by action of the FASB. WAC 4-30-048(5).
- Statement on Standards for Consulting Services issued by the AICPA. WAC 4-30-048(6).

- Statements on Quality Control Standards issued by the AICPA. WAC 4-30-048(7).
- Statements on Standards for Tax Services and Interpretation of Statements on Standards for Tax Services issued by the AICPA. WAC 4-30-048(8).
- Statements on Responsibilities in Personal Financial Planning Practice issued by the AICPA. WAC 4-30-048(9).
- Statements on Standards for Litigation Services issued by the AICPA. WAC 4-30-048(10).
- Professional Code of Conduct issued by the AICPA including interpretations and ethics rulings. WAC 4-30-048(11).
- Governmental Auditing Standards issued by the U.S. Government Accountability Office. WAC 4-30-048(12).
- AICPA Industry Audit and Accounting Guides. WAC 4-30-048(13).
- SEC Rules, Concept Releases, Interpretative Releases, and Policy Statements. WAC 4-30-048(14).
- Standards issued by the PCAOB. WAC 4-30-048(15).
- IRS Circular 230. WAC 4-30-048(16).
- Any additional national or international standards recognized by the AICPA, PCAOB, SEC, and/or the GAO. WAC 4-30-048(17).

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

Confidential client information

AICPA rule

A member in public practice shall not disclose any confidential client information without the specific consent of the client. ET Section 1.700.001.01.

This rule shall not be construed (1) to relieve a member of his or her professional obligations of the "Compliance With Standards Rule" or the "Accounting Principles Rule", (2) to affect in any way the member's obligation to comply with a validly issued and enforceable subpoena or summons, or to prohibit a member's compliance with applicable laws and government regulations, (3) to prohibit review of a member's professional practice under AICPA or state CPA society or Board of Accountancy authorization, or (4) to preclude a member from initiating a complaint with, or

responding to any inquiry made by, the professional ethics division or trial board of the Institute or a duly constituted investigative or disciplinary body of a state CPA society or Board of Accountancy.

Members of any of the bodies identified in (4) above and members involved with professional practice reviews identified in (3) above shall not use to their own advantage or disclose any member's confidential client information that comes to their attention in carrying out those activities. This prohibition shall not restrict members' exchange of information about the investigative or disciplinary proceedings described in (4) above or the professional practice reviews described in (3) above. ET Section 1.700.001.02.

Washington rule

A CPA must not, without the specific consent of the client or another authorized person disclose any confidential communication or information pertaining to the client obtained during performing professional services. WAC 4-30-050(3).

No statement, record, schedule, working paper, or memorandum, including electronic records, may be sold, transferred, or bequeathed with the consent of the client or another authorized person. WAC 4-30-050(2).

Exceptions to client confidentiality

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

- A lawfully issued subpoena or summons.
- Prohibit disclosures during a quality review of a licensee's attest services.
- Preclude a CPA from responding to any inquiry made by the Board or any investigative or disciplinary body established by law or formally recognized by the Board.
- Preclude a review of client information in conjunction with a prospective purchase, sale, or merger of all or part of a CPA's practice. WAC 4-30-050(6).

Disclosing information to third party service providers

A CPA must do one of the following before disclosing confidential client information to third-party service providers:

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

- third-party service provider's controls and procedures to safeguard confidential client information; or
- Obtain specific consent from the client or authorized person before disclosing confidential client information to the third-party service provider. WAC 4-30-050(4).

Client records and a firm sale or transfer upon death of the CPA

A CPA that sells or transfers all or part of a practice to another person, firm, or entity successor firm and will no longer retain ownership in the practice must submit a written request to each client subject to the sale or transfer, requesting the client's consent to transfer its files to the successor firm or other entity and notify the client that its consent may be presumed if it does not respond to the CPA's request within a period of not less than ninety days, unless prohibited by law. WAC 4-30-050(5).

The CPA should not transfer any client files to the successor firm until either the client's consent is obtained, or the ninety days has lapsed, whichever is shorter. CPA must retain evidence of consent, whether obtained from the client or presumed after ninety days. WAC 4-30-050(5).

It is permissible for the CPA to contract with a responsible custodian to securely store client records until consent or transfer has been obtained. WAC 4-30-050(5).

Confidential client information defined

Confidential client information is any information obtained from the client that is not available to the public. Information that is available to the public includes, but is not limited to, information:

- In a book, periodical, newspaper, or similar publication.
- In a client document that has been released by the client to the public or that has otherwise become a matter of public knowledge.
- On publicly accessible websites, databases, online discussion forums, or other electronic media by which members of the public can access the information.
- Released or disclosed by the client or other third parties in media interviews, speeches, testimony in a public forum, presentations made at seminars or trade association meetings, panel discussions, earnings press release calls, investor calls, analyst sessions, investor conference presentations, or a similar public forum.
- Maintained by, or filed with, regulatory or governmental bodies that is available to the public.
- Obtained from other public sources.

Unless the client information is available to the public, such information should be considered confidential client information. ET Section 0.400.09.

Acts discreditable and professional misconduct

AICPA rule

A member shall not commit an act discreditable to the profession. ET Sections 1.400.001, 2.400.001, and 3.400.001.

Washington rule

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

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

Failure to follow the conceptual framework

In the absence of an interpretation of the acts discreditable rule that addresses a particular relationship or circumstance, a member should apply the conceptual framework. ET Sections 1.400.005.01 and 2.400.005.01.

A member would be considered in violation of the acts discreditable rule if the member cannot demonstrate that safeguards were applied that eliminated or reduced significant threats to an acceptable level. ET Sections 1.400.005.02 and 2.400.005.02

Discrimination and harassment in employment

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

Soliciting CPA exam questions

A member who solicits or knowingly discloses the Uniform CPA Examination question(s) or answer(s), or both, without the AICPA's written authorization shall be considered to have committed an act discreditable to the profession. ET Sections 1.400.020, 2.400.010, and 3.400.010.

Failure to file tax returns or pay a tax liability

A member who fails to comply with applicable federal, state, or local laws or regulations regarding (a) the timely filing of the member's personal tax returns or tax

returns of the member's firm or employer that the member has the authority to timely file or (b) the timely remittance of all payroll and other taxes collected on behalf of others may be considered to have committed an act discreditable to the profession. ET Sections 1.400.030, 2.400.030, and 3.400.030.

Negligence in the preparation of financial statements or records

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

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

Failure to follow regulatory standards

Many governmental bodies, commissions, or other regulatory agencies have established requirements, such as audit standards, guides, rules, and regulations that members are required to follow in the preparation of financial statements or related information or similar services for entities subject to their jurisdiction. For example, the SEC; the Federal Communications Commission; state insurance commissions; and other regulatory agencies, such as the PCAOB, have established such requirements. ET Sections 1.400.050.01 and 2.400.050.01.

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

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

Failure to follow governmental audit standards

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

If a member accepts such an engagement and undertakes an obligation to follow specified government audit standards, guides, procedures, statutes, rules, and

regulations, the member is obligated to follow such requirements, in addition to GAAS. ET Section 1.400.055.02.

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

Indemnification and limitation of liability provisions

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

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

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

Information obtained from employment or volunteer activities

A member should maintain confidentiality of his or her employer’s or firm’s (employer) confidential information and should not use or disclose any confidential employer information obtained because of an employment relationship (for example, discussions with the employer’s vendors, customers, or lenders). This includes, but is not limited to, any confidential information pertaining to a current or previous employer, subsidiary, affiliate, or parent thereof, as well as any entities for which the member is working in a volunteer capacity. ET Sections 1.400.070.01, 2.400.070.01, and 3.400.070.01.

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

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

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

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

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

- Disclosure is permitted by law and authorized by the employer.
- Disclosure is required by law, for example, to comply with a validly issued and enforceable subpoena or summons or inform the appropriate public authorities of violations of law that have been discovered.
- There is a professional responsibility or right to disclose information, when not prohibited by law, to initiate a complaint with, or respond to any inquiry made by, the Professional Ethics Division or trial board of the AICPA or a duly constituted investigative or disciplinary body of a state CPA society, board of accountancy, or other regulatory body; protect the member's professional interests in legal proceedings; comply with professional standards and other ethics requirements; or report potential concerns regarding questionable accounting, auditing, or other matters to the employer's confidential complaint hotline or those charged with governance.
- Disclosure is permitted on behalf of the employer to obtain financing with lenders; communicate with vendors, clients, and customers; or communicate with the employer's external accountant, attorneys, regulators, and other business professionals. ET Sections 1.400.070.06, 2.400.070.06, and 3.400.070.06.

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

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

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

False, misleading, and deceptive acts in marketing

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

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

Use of the CPA credential

A member should refer to applicable state accountancy laws and board of accountancy rules and regulations for guidance regarding the use of the CPA credential. A member who fails to follow the accountancy laws, rules, and regulations on use of the CPA credential in any of the jurisdictions in which the CPA practices would be considered to have used the CPA credential in a manner that is false, misleading, or deceptive and in violation of “acts discreditable” ET Sections 1.400.100, 2.400.100, and 3.400.100.

Failure to return client records

Members must comply with the rules and regulations of authoritative regulatory bodies, such as the member’s state board(s) of accountancy, when the member performs services for a client and is subject to the rules and regulations of such regulatory body. For example, a member’s state board(s) of accountancy may not permit a member to withhold certain records, even though fees are due to the member for the work performed. Failure to comply with the more restrictive

provisions of the applicable regulatory body's rules and regulations concerning the return of certain records would constitute a violation of this interpretation. ET Section 1.400.200.02.

The member should return client-provided records in the member's custody or control to the client at the client's request. ET Section 1.400.200.03.

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

The member should provide member-prepared records relating to a completed and issued work product to the client, except that such records may be withheld if fees are due to the member for that specific work product. Member's work products should be provided to the client, except that such work products may be withheld if:

- If fees are due to the member for the specific work product.
- If the work product is incomplete.
- If for purposes of complying with professional standards (for example, withholding an audit report due to outstanding audit issues).
- If threatened or outstanding litigation exists concerning the engagement or member's work. ET Section 1.400.200.04.

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

- Comply with any subsequent requests to again provide records or copies of records. However, if subsequent to complying with a request, a client experiences a loss of records due to a natural disaster or an act of war, the member should comply with an additional request to provide such records.
- Retain records for periods that exceed applicable professional standards, state and federal statutes and regulations, and contractual agreements relating to the service performed. ET Section 1.400.200.05.

A member who has provided records to an individual designated or held out as the client's representative, such as the general partner, majority shareholder, or spouse, is not obligated to provide such records to other individuals associated with the client. ET Section 1.400.200.06.

Working papers are the member's property, and the member is not required to provide such information to the client. However, state and federal statutes and regulations and contractual agreements may impose additional requirements on the member. ET Section 1.400.200.07.

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

- Charge the client a reasonable fee for the time and expense incurred to retrieve and copy such records and require that the client pay the fee before the member provides the records to the client.
- Provide the requested records in any format usable by the client. However, the member is not required to convert records that are not in electronic format to electronic format. If the client requests records in a specific format and the records are available in such format within the member's custody and control, the client's request should be honored. In addition, the member is not required to provide the client with formulas, unless the formulas support the client's underlying accounting or other records or the member was engaged to provide such formulas as part of a completed work product.
- Make and retain copies of any records that the member returned or provided to the client. ET Section 1.400.200.08.

A member who is required to return or provide records to the client should comply with the client's request as soon as practicable but, absent extenuating circumstances, no later than 45 days after the request is made. ET Section 1.400.200.09.

Client records in a sale, transfer, discontinuance, or acquisition

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

- Submit a written request to each client subject to the sale or transfer, requesting the client's consent to transfer its files to the successor firm and, notify the client that its consent may be presumed if it does not respond to the member's request within a period of not less than 90 days, unless prohibited by law, including but not limited to the rules and regulations of the applicable state boards of accountancy. The member should not transfer any client files to the successor firm until either the client's consent is obtained or the 90 days has lapsed, whichever is shorter. The member is encouraged to retain evidence of consent, whether obtained from the client or presumed after 90 days.
- With respect to files not subject to the sale or transfer, make arrangements to return any client records that the member is required to provide to the client as set forth in the "Records Request" interpretation unless the member and client agree to some other arrangement. ET Section 1.400.205.01.

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

authorities or regulatory bodies, members should ensure compliance with any requirements that are more restrictive. ET Section 1.400.205.02.

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

- Notify each client in writing of the discontinuation of the practice. The member is encouraged to retain evidence of notification made to clients. The member is not required to provide notification to former clients of the firm.
- Make arrangements to return any client records that the member is required to provide to the client as set forth in the "Records Request" interpretation unless the member and client agree to some other arrangement. ET Section 1.400.205.03.

In cases in which the member is unable to contact the client, client files should be retained in a confidential manner and in accordance with the firm's record retention policy or as required by applicable legal or regulatory requirements, whichever is longer. When practicing before the IRS or other taxing authorities or regulatory bodies, members should ensure compliance with any requirements that are more restrictive. ET Section 1.400.205.04.

A member who acquires all or part of a practice from another person, firm, or entity (predecessor firm) should be satisfied that all clients of the predecessor firm subject to the acquisition have, as required in paragraph .01, consented to the member's continuation of professional services and retention of any client files or records the successor firm retains. ET Section 1.400.205.05.

A member will be considered in violation of the "Acts Discreditable Rule" if the member does not comply with any of the requirements of this interpretation. ET Section 1.400.205.06.

Removing client files or proprietary information from a firm

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

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

Use of confidential information from non-client sources

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

Washington rules for client records

“Client provided records”

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

“Client records prepared by the CPA”

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

“Supporting records”

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

“CPA working papers”

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

“Client”

Records should only be provided to the client or other authorized person. "Authorized person" means a person who is designated or has held out as the client's representative, such as a general partner, tax matters partner, majority shareholder, spouse, agent, or apparent agent. WAC 4-30-010.

Minimum requirements to provide requested records

Board rules are more restrictive than the AICPA Code of Professional Conduct and therefore a member should follow applicable Board rules. Please take special care to read and understand WAC 4-30-051 Client Records as disputes regarding client records are a frequent source of complaints submitted to the Board.

When a client or former client (client) makes a request for client-provided records, client records prepared by the CPA, or supporting records that are in the custody or

control of the CPA that have not previously been provided to the client, the CPA should respond to the client's request as follows:

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

Electronic records

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

The CPA is not required to convert records that are not in electronic format to electronic format. However, if the client requests records in a specific format and the CPA was engaged to prepare the records in that format, the client's request should be honored. WAC 4-30-051(3).

In responding to a records request, it is not permissible for a CPA to supplant a client record originally created in an electronic format with one converted to a nonelectronic format, such as a hard copy or a dissimilar electronic format unusable to the client. WAC 4-30-051(4).

Non-payment by client

CPA's must not refuse to return or provide records, including electronic documents, pending client payment of outstanding fees. WAC 4-30-051(5).

Allowable fees and timing

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

- Charge the client a reasonable fee for the time and expense incurred to retrieve and copy such records and require that such fee be paid prior to the time such records are provided to the client;
- Provide the requested records in any format usable by the client;
- Make and retain copies of any records returned or provided to the client. WAC 4-30-051(8).

Where a CPA is required to return or provide records to the client, the CPA should comply with the client's request as soon as practicable but, absent extenuating circumstances, no later than 45 days after the request is made. WAC 4-30-051(9).

Records retention

A CPA is under no obligation to retain records for periods that exceed applicable professional standards, state and federal statutes and regulations, and contractual agreements relating to the service(s) performed. WAC 4-30-051(10).

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

- Records forming the basis of the audit or review.
- Records documenting audit or review procedures applied.
- Records documenting evidence of obtained including financial data, analyses, conclusions, and opinions related to the audit or review engagement.
- Records documenting conclusions reached by the licensee in the audit or review engagement. WAC 4-30-051(11).

Independence

AICPA rule

A member in public practice shall be independent in the performance of professional services as required by standards promulgated by bodies designated by Council. ET Section 1.200.001.

Washington rule

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

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

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

Independence defined

The AICPA defines independence as a two-part test:

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

Fees and other types of remuneration

AICPA rule on commissions and referral fees

A member in public practice shall not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission, when the member or member's firm also performs for that client an audit or review of a financial statement; or a compilation of a financial statement when the member expects, or reasonably might expect, that a third party will use the financial statement and the member's compilation report does not disclose a lack of independence; or an examination of prospective financial information. ET Section 1.520.001.01.

This prohibition applies during the period in which the member is engaged to perform any of the services listed above and the period covered by any historical financial statements involved in such listed services. ET Section 1.520.001.02.

A member in public practice who is not prohibited by this rule from performing services for or receiving a commission and who is paid or expects to be paid a commission shall disclose that fact to any person or entity to whom the member recommends or refers a product or service to which the commission relates. ET Section 1.520.001.03.

Any member who accepts a referral fee for recommending or referring any service of a CPA to any person or entity or who pays a referral fee to obtain a client shall disclose such acceptance or payment to the client. ET Section 1.520.001.04.

AICPA rule on contingent fees

A member in public practice shall not:

- Perform for a contingent fee any professional services for, or receive such a fee from a client for whom the member or the member's firm performs, an audit or review of a financial statement; or a compilation of a financial statement when the member expects, or reasonably might expect, that a third party will use the financial statement and the member's compilation report does not disclose a lack of independence; or examination of prospective financial information; or
- Prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client. ET Section 1.510.001.01.

The prohibition in above applies during the period in which the member or member's firm is engaged to perform any of the services listed above and the period covered by any historical financial statements involved in any such listed services. ET Section 1.510.001.02.

Except as stated in the next sentence, a contingent fee is a fee 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. Solely for purposes of this rule, fees are not regarded as being contingent if fixed by courts or other public authorities, or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies. ET Section 1.510.001.03.

A member's fees may vary depending, for example, on the complexity of services rendered. ET Section 1.510.001.04.

Washington rule

Commissions and referral fees

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

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

Contingent fees

Licensees and/or their employees must not:

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

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

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

Use of affiliates or subsidiaries

For the purposes of this section, the term "licensed firm" includes any affiliated entity (ies) and the term "firm owner" includes the owner(s) of any affiliated entity (ies). WAC 4-30-044.

Required disclosures

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

They must:

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

Nothing in this rule shall be interpreted to preclude licensees, CPA-Inactive certificate holders, or nonlicensee firm owners from purchasing, selling, or merging all or a portion of a licensed firm or affiliated entity or to require disclosure to clients of

terms or payments made or received pursuant to the purchase, sale, or merger. WAC 4-30-044(6).

Advertising and other forms of solicitation

AICPA rule

A member in public practice shall not seek to obtain clients by advertising or other forms of solicitation in a manner that is false, misleading, or deceptive. Solicitation using coercion, over-reaching, or harassing conduct is prohibited. ET Section 1.600.001.

Washington rule

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

- Statements or claims which contain a misrepresentation of fact.
- Failure to make full disclosure of relevant facts.
- Imply professional services are of an exceptional quality, which is not supported by verifiable facts.
- Create false expectations of favorable results.
- Imply educational or professional attainments, specialty designations, or licensing recognition not supported in fact.
- Represent that professional services will be performed for a stated fee when this is not the case, or do not disclose variables that may reasonably be expected to affect the fees that will be charged. WAC 4-30-054.

Form of organization or name

AICPA rule

A member may practice public accounting only in a form of organization permitted by law or regulation whose characteristics conform to resolutions of Council. ET Section 1.800.001.01.

A member shall not practice public accounting under a firm name that is misleading. ET Section 1.800.001.02.

Names of one or more past owners may be included in the firm name of a successor organization. ET Section 1.800.001.03.

A firm may not designate itself as "Members of the American Institute of Certified Public Accountants" unless all its CPA owners are members of the AICPA. ET Section 1.800.001.04.

Washington rule

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

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

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

The initial CPA license

Education requirements

Effective July 1, 2000, to apply for the CPA examination you must have completed: at least 150 semester hours (225 quarter hours) of college education, including a baccalaureate or higher degree; and an accounting major or concentration as defined as at least: 24 semester hours (36 quarter hours) or the equivalent in accounting subjects of which at least 15 semester hours must be at the upper level or graduate level (an upper level course is defined as a course that frequently carries completion of a lower level course(s) as a prerequisite; and 24 semester hours (36-quarter hours) or the equivalent in business administration subjects at the undergraduate or graduate level. WAC 4-30-060(1).

The CPA exam

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

attain a minimum score on any failed section(s) and without regard to whether you have taken other sections.

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

Cheating on the CPA exam

Cheating includes, but is not limited to:

- Unauthorized communication with others inside or outside of the examination room while the examination is in progress.
- Substitution by a candidate of another person to sit in the test site and take the examination on behalf of the candidate.
- Referencing crib sheets, textbooks, or other unauthorized material or electronic media inside or outside the examination room while the examination is in progress.
- Copying or attempting to copy another candidate's answers.
- Disclosing or attempting to disclose examination questions and/or answers to others.
- Bringing unauthorized prohibited items into the examination site or possessing unauthorized prohibited items in the examination site.
- Retaking or attempting to retake a section by an individual who holds a license or who has unexpired credit for passing the section, unless the individual has been expressly authorized by the Board to participate in a "secret shopper" program. WAC 4-30-064(1).

Cheating on the CPA examination is dishonesty directly related to the professional responsibilities of a CPA and demonstrates a lack of good character.

When determining appropriate sanctions for cheating, the Board may impose one or more of the following penalties:

- Enter a failing grade for any or all parts of the candidate's examination.
- Bar a candidate from taking future examinations.
- Notify other jurisdictions of the Board's conclusions and order.
- Fine up to \$30,000.
- Recovery of investigative and legal costs.
- Referral to the appropriate law enforcement agency (ies) for prosecution. WAC 4-30-064(2).

Experience requirements to obtain a CPA license

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

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

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

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

- Assess the achievement of an entity's objectives.

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

Verifying experience and the duties of the applicant

The applicant for a license requesting verification is responsible for:

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

Qualifications of a verifying CPA

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

Requirements of a verifying CPA

The verifying CPA is expected to:

- Obtain the applicant's completed Experience Affidavit form and supporting documentation to support the jobs the applicant held which provided the experience supporting the applicant's assertion that by performing the specific job functions, she/he was provided the opportunity to obtain each specific competency.
- Verify the applicant's relevant employment history.

- Interview the candidate or otherwise obtain or possess knowledge sufficient to understand the skill sets applied, tasks performed, and time spent in the applicant's represented job functions.
- Assess whether the skill sets applied, tasks performed, and time spent would likely provide an opportunity to obtain each specific competency, excluding knowledge of the Washington state Public Accountancy Act and related Board rules.
- Determine, by interview or course completion certificate, etc., that the applicant is knowledgeable of the Public Accountancy Act and related Board rules applicable to individuals licensed in the state of Washington.
- Document this process and the basis for the conclusions reached by the verifying CPA relative to each specific competency, and maintain this documentation for a minimum of three years. WAC 4-30-072.

The initial license

Applying for an initial CPA license

To qualify to apply for an initial license you must meet the following criteria and requirements:

- Good character requirements. RCW 18.04.105(1)(a).
- Education requirements. WAC 4-30-060.
- Examination requirements. WAC 4-30-062.
- Experience requirements. WAC 4-30-070.
- Achieve and document a passing grade of 90% or better on a course covering the complete content of the AICPA Professional Code of Conduct. WAC 4-30-080(1)(e).
- Achieve and document a passing grade of 90% or better on a Board-approved initial course covering the Washington State Public Accountancy Act, related Board rules, and Board policies. WAC 4-30-080(f).

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

Good character means lack of a history of dishonest or felonious acts. The Board may refuse to grant a license on the ground of failure to satisfy this requirement only if

there is a substantial connection between the lack of good character of the applicant and the professional and ethical responsibilities of a licensee and if the finding by the Board of lack of good character is supported by a preponderance of evidence. RCW 18.04.105(1)(a).

Your initial license will expire on June 30 of the third calendar year following initial licensure. WAC 4-30-080(5).

When use of the CPA title is allowed after initial application

You may not use the title CPA until the date the approval of your license is posted in the Board's licensee database and, therefore, made publicly available for confirmation. WAC 4-30-080(6).

Special rule for first CPE reporting period

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

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

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

CPA firm licensing requirements

General requirements for firms with Washington offices

A CPA firm license is required if a firm:

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

A firm license is not required for a firm that does not have an office in this state but offers or renders attest services described in RCW 18.04.25(1), and meets the requirements listed in RCW 18.04.195 (1)(a)(iii)(A) through (D).

Allowable forms of organization

A CPA firm may be organized as:

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

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

Changes to legal forms

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

Ownership requirements

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

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

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

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

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

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

A nonlicensee owner must:

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

Renewal

Renewal of an individual license

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

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

Late renewal application

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

Failure to file a renewal application

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

A lapsed credential is subject to reinstatement.

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

Failure to complete CPE

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

Reinstatement of a lapsed license or certificate

If your individual license has lapsed, you may not use the restricted title(s) until your individual credential has been reinstated by the Board. WAC 4-30-124.

Individuals who held a valid license on June 30, 2001, and individuals obtaining a license after June 30, 2001, are not eligible to reinstate as CPA-Inactive certificate holders. WAC 4-30-124.

To reinstate a lapsed individual license, you must provide certain information to the Board either by making application through the Board's on-line application system or on a form provided by the Board upon request. WAC 4-30-124.

To reinstate, you must submit to the Board:

- Complete reinstatement information including your certification that you have:
- For those who wish to reinstate a license or CPA-Inactive certificate: Not used the title CPA or CPA-Inactive during the time in which your individual license or CPA-Inactive certificate was lapsed; or
- For those who wish to reinstate a registration as a resident nonlicensee firm owner: Not participated as an owner in a CPA firm during the time in which your registration as a resident nonlicensee firm owner was suspended or revoked.
- Met the CPE requirements for reinstatement.
- Met the CPE supporting documentation requirements.

- Source documents as evidence of eligibility for CPE credit for all courses claimed in order to meet CPE requirements.
- And a listing of all states and foreign jurisdictions in which you hold or have applied for a license, certificate, or practice privileges.

Upon approval of your reinstatement application, your status will be posted in the Board's licensee database and, therefore, made publicly available for confirmation. A hard copy of your credential can be provided upon request.

Your license will expire on June 30 of the third calendar year following approval of the reinstatement. The CPE reporting period for your next renewal begins on January 1 of the calendar year in which the reinstatement of your license was approved by the Board and ends on December 31 of the second calendar year following approval of the reinstatement. CPE credit hours utilized to qualify for reinstatement cannot be utilized for subsequent renewal of your reinstated credential.

You may not use the restricted title(s) until your reinstatement application has been approved and posted to the Board's database.

Continuing competency for firms

Quality assurance review (QAR) for licensed firms

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

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

Enrollment in peer review

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

- Compilation on historical financial statements;
- Review on historical financial statements;

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

Peer review exemptions

Certain firms may request exemption:

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

Board approved peer reviews

The Board has approved the following peer reviews:

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

Potential Board actions for substandard reports

The Board will take appropriate action to protect the public's interest if the Board determines through the peer review process or otherwise that a firm's performance and/or reporting practices are not or may not be in accordance with applicable professional standards, the firm does not comply with peer review program

requirements, or the firm does not comply with all or some of the reporting, remedial action, and/or fee payment requirements. The Board's actions may include, but are not limited to:

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

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

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

Continuing competency for individuals

Continuing professional education (CPE) requirements

Qualifying continuing professional education (CPE) must:

- Contribute to the professional competency in the individual's area(s) of professional practice or relative to the individual's current work place job functions;

- Maintain knowledge of current ethical and other regulatory requirements; and
- Be completed by individuals during any Board specified CPE reporting period. A CPE reporting period is a calendar year time period beginning in the calendar year a credential is first issued by this Board and ending on December 31st of the subsequent third calendar year; for example, if your license was issued any time during calendar year one (2013), the CPE reporting period ends on December 31st of calendar year three (2015) WAC 4-30-134(1).

Requirements for CPAs

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

Required rules for ethics CPE

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

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

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

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

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

The course must also include detailed information on the following:

- How can I contact the Board?
- Do I need to notify the Board if I change my address?

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

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

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

Extensions of time to obtain CPE

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

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

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

Self-reported deficiencies

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

- Submit to the Board, in writing, the specific CPE plan to obtain to correct the CPE deficiency on or before June 30 of the renewal year.

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

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

Program standards for CPE

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

A formal program means:

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

Qualifying subjects

Examples of qualifying technical subjects include:

- Auditing standards or procedures.
- Compilation and review of financial statements.
- Financial statement preparation and disclosures.
- Attestation standards and procedures.
- Projection and forecast standards or procedures.
- Accounting and auditing.
- Management advisory services.
- Personal financial planning.

- Taxation.
- Management information services.
- Budgeting and cost analysis.
- Asset management.
- Professional ethics (other than those programs used to satisfy the requirements of WAC 4-30-134(6)).
- Specialized areas of industry.
- Human resource management.
- Economics.
- Business law.
- Mathematics, statistics, and quantitative applications in business.
- Business management and organization.
- General computer skills, computer software training, information technology planning and management.
- Negotiation or dispute resolution courses. WAC 4-30-132(5).

Nontechnical subjects include:

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

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

Group programs

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

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

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

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

Self-study programs

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

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

The amount of credit allowed for noninteractive self-study is one-half the average completion time as determined by the program sponsor based on appropriate "field tests." To claim CPE credit for noninteractive self-study programs, you must obtain

evidence of satisfactory completion of the course from the program sponsor. WAC 4-30-132(8).

Carry forward and carry back of credits

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

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

Examinations and review courses

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

Reporting CPE to the Board

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

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

Required documentation for CPE credits

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

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

Acceptable evidence of completion

Acceptable evidence includes:

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

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

Records retention

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

Administration

Contacting the Board

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

- The physical address is 711 South Capitol Way, Suite 400, Olympia, WA 98501.
- The mailing address is P.O. Box 9131, Olympia, Washington 98507-9131.
- (360) 753-2586 (telephone).
- (360)-664-9190 (fax).
- 7-1-1 (TTY service).
- (800) 833-6385 (Telebraille services).
- customerservice@acb.wa.gov (email address).
- www.acb.wa.gov (website address).

Notifying the Board of a change of address

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

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

Responding to inquiries from the Board

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

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

Reportable enforcement actions by other bodies

A CPA must notify the Board within 30 days of the issuance of a sanction, order, suspension, revocation, or modification of a license, certificate, permit or practice rights by the SEC, PCAOB, IRS, or another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy. WAC 4-30-036(1)(a).

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

Holders of licenses or CPA-Inactive certificates issued through the foreign reciprocity provisions of the Public Accountancy Act must notify the Board of any investigations undertaken, or sanctions imposed, by a foreign credentialing body against the foreign credential within 30 days of your receiving notice that an investigation has begun or a sanction was imposed. WAC 4-30-036(3).

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

Bases for the Board to impose discipline

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

Examples

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

Dishonesty, fraud, or negligence

- Practicing public accounting in Washington State prior to obtaining a license. WAC 4-30-142(5).
- Offering or rendering public accounting services in Washington by an out-of-state individual not qualified for practice privileges. WAC 4-30-142(5).
- Offering or rendering public accounting services in Washington by an out-of-state firm not qualified for practice privileges under firm mobility rules. WAC 4-30-142(5).
- Making misleading, deceptive, or untrue representations. WAC 4-30-142(5).
- Engaging in acts of fiscal dishonesty. WAC 4-30-142(5).
- Purposefully, knowingly, or negligently failing to file a report or record, or filing a false report or record, required by local, state, or federal law. WAC 4-30-142(5).

- Unlawfully selling unregistered securities. WAC 4-30-142(5).
- Unlawfully acting as an unregistered securities salesperson or broker-dealer. WAC 4-30-142(5).
- Discharging a trustee's duties in a negligent manner or breaching one's fiduciary duties. WAC 4-30-142(5).
- Withdrawing or liquidating, as fees earned, funds received by a licensee, CPA-Inactive certificate holder, or a resident nonlicensee firm owner from a client as a deposit or retainer when the client contests the amount of fees earned, until such time as the dispute is resolved. WAC 4-30-142(5).

Prima facie acts of dishonesty, fraud, or negligence

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

Sanctions and crimes

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

Conflicts of interest

- Self-dealing as a trustee, including, but not limited to investing trust funds in entities controlled by or related to the trustee; borrowing from trust funds, with or without disclosure; and employing persons related to the trustee or entities in which the trust has a beneficial interest to provide services to the trust (unless specifically authorized by the trust creation document). WAC 4-30-142(9).
- Borrowing funds from a client unless the client is in the business of making loans of the type obtained by the licensee, CPA-Inactive certificate holder, or nonlicensee firm owner and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness. WAC 4-30-Practice privilege violations
- An out-of-state individual exercising the practice privileges when not qualified. WAC 4-30-142(10).
- Submission of an application for firm license on behalf of a firm licensed in another state the does not meet firm mobility requirements by an out-of-state individual not qualified or authorized by the firm to make such application. WAC 4-30-142(10).
- Failure of an out-of-state individual exercising the practice privileges to cease offering or performing professional services in Washington, individually or on behalf of a firm, when the license from the state of the out-of-state individual's principal place of business is no longer valid. WAC 4-30-142(10).
- Failure of an out-of-state individual exercising the practice privileges to cease offering or performing specific professional services in Washington, individually or on behalf of a firm, when the license from the state of the out-of-state individual's principal place of business has been restricted from performing those specific services. WAC 4-30-142(10).
- Failure of an out-of-state firm operating in Washington under firm mobility rules to cease offering or performing professional services in Washington through one or more out-of-state individuals whose license from the state of those individuals' principal place(s) of business is (are) no longer valid or is (are) otherwise restricted from performing the specific engagement services. WAC 4-30-142(10).
- Failure of an out-of-state firm operating under firm mobility rules to comply with the ownership requirements within a reasonable time period, as determined by the Board. WAC 4-30-142(10).
- Failure of a firm licensed in Washington or another state to comply with the Board's quality assurance program requirements, when applicable. WAC 4-30-142(10).

Other bases for the Board to impose discipline

- Violation of one or more of the rules of professional conduct in the WAC. WAC 4-30-142(11).
- Concealing another's violation of the Public Accountancy Act or Board rules. WAC 4-30-142(12).
- Failure to cooperate with the Board by failing to: furnish any papers or documents requested or ordered to produce by the Board; furnish in writing a full and complete explanation related to a complaint as requested by the Board; respond to an inquiry of the Board; or respond to subpoenas issued by the Board, whether or not the recipient of the subpoena is the accused in the proceeding. WAC 4-30-142(13).
- Failure to comply with an order of the Board. WAC 4-30-142(14).
- Adjudication of a licensee, CPA-Inactive certificate holder, or a nonlicensee firm owner as mentally incompetent is prima facie evidence that the person lacks the professional competence required by the rules of professional conduct. WAC 4-30-142(15).
- Failure of a licensee, CPA-Inactive certificate holder, nonlicensee firm owner, or out-of-state person exercising practice privileges to timely notify the Board, in the manner prescribed by the Board, of any of the following: a sanction, order, suspension, revocation, or modification of a license, certificate, permit or practice rights by the SEC, PCAOB, IRS, or another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy; charges filed by the SEC, IRS, PCAOB, another state board of accountancy, or a federal or state taxing, insurance or securities regulatory body that the licensee, CPA-Inactive certificate holder, or nonlicensee firm owner committed a prohibited act that would be a violation of Board ethical or technical standards; or sanctions or orders entered against such persons by a nongovernmental professionally related standard-setting body for violation of ethical or technical standards in the practice of public accounting by a licensee, CPA-Inactive certificate holder, or nonlicensee firm owner. WAC 4-30-142(16).

Washington State Board of Accountancy enforcement

Board disciplinary actions

Of 18,000 CPAs and 1,000 CPA-Inactive Certificateholders in Washington, few in any given year are the subject of complaints filed with the Washington State Board of Accountancy, as the Board investigates approximately 100 complaints a year.

Remedial Resolution for first-time administrative violations

In cases of certain first time administrative violations, the Board will assess fines, fees, costs, and other penalties.

- Use of a restricted title with a lapsed license/certificate.
- Failure to obtain a firm license by a firm required to do so.
- Use of title(s) by an un-credentialed individual.
- Failure to provide records, so long as the failure does not result in client financial harm.
- Failure to timely inform the Board of an individual's change in address within 30 days.
- Failure to timely inform the Board of a change in the physical address of a firm's main office or branch offices within 30 days.
- Failure to respond to Board requests for information or documents from licensees, certificate holders, nonlicensee firm owners, or applicants within 20 days.
- Failure to timely inform the Board of orders or sanctions imposed by the SEC, PCAOB, IRS, or another state board of accountancy within 30 days.
- Failure to timely inform the Board of charges filed by the SEC, IRS, PCAOB, another state board of accountancy or a federal or state taxing, insurance or securities regulatory body within 30 days.
- Failure to timely inform the Board of any investigations undertaken or sanctions imposed by a foreign credentialing body against a foreign credential within 30 days.
- Failure to timely inform the Board of changes to firm legal form, dissolution, changes in resident managers or owners, changes in branch or main office location, changes in firm name, or noncompliance with firm ownership requirements, within 90 days.

- Failure to timely inform the Board that a foreign license, permit, or certificate has lapsed or otherwise becomes invalid.
- CPE deficiencies up to 60 CPE hours in total, including Washington ethics, may be addressed through Remedial Resolution. CPE deficiencies exceeding 60 CPE hours in total, including Washington ethics, will result in disciplinary action. Board Policy 2004-1.

Board investigative and disciplinary processes

The Board's authority to conduct investigations and enforce administrative discipline derives from Chapter 18.04 RCW (Public Accountancy Act) and chapter 34.05 RCW (the Administrative Procedures Act). The Board has delegated the responsibility for conducting such investigations to the Executive Director. Board Policy 2017-1.

The Executive Director may work with staff, a Consulting Board Member, a contractor, and the Prosecuting Assistant Attorney General during the enforcement process so that the Board members may remain impartial and objective in the event of an administrative hearing. Board Policy 2017-1.

The Board seeks to resolve disciplinary cases in a fair and equitable manner, and recognizes that administrative hearings are costly, time consuming, and delay resolution. Therefore, the Board seeks to resolve most disciplinary cases through informal consent agreements. Board Policy 2017-1.

The enforcement activities are driven primarily by complaints received from the public; however, the findings of federal, state, or other disciplinary entities may serve as the basis of a complaint with the Board. The Executive Director may also initiate an investigation following an observation of a potential violation by Board staff. Board Policy 2017-1.

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

All consent agreements must be signed by the respondent, and approved by a vote of the Board. Any Consulting Board Member involved with the case is recused from voting. If approved by the Board, the consent agreement becomes effective and binding once served on the respondent. Board Policy 2017-1.

As part of the ongoing investigative and disciplinary process, all complaints closed without action taken are reviewed on a regular basis by a Board member. Board Policy 2017-1.

The Board has the power to recover investigative costs through the case resolution process. Investigative costs may include, but are not limited to, staff time, travel, legal costs, and cost of contractors. Board Policy 2017-1.

Hearings before the Board

If the Executive Director executes a statement of charges, the case is referred to the assigned prosecuting assistant attorney general with the request that an administrative hearing be scheduled and the case prosecuted.

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

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

Brief adjudicative proceedings

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

The types of appeals are:

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

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

The Board Chair or the Board Vice-Chair, if the Board Chair is unavailable, will appoint one member of the Board as the presiding officer for brief adjudicative proceedings. The presiding officer renders a decision either upholding or overturning the denial.

This decision, called an order, will be provided to the last address furnished to the Board.

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

Publication of Board orders and sanctions

Under Board policy 2017-2 Publication and Disclosure of Disciplinary Actions, all disciplinary actions taken by the Board shall be published through the Board's licensee search, and through the Board's newsletter in summary. For the purposes of this policy, disciplinary actions may include, but are not limited to, board orders issued at an administrative hearing, default orders, negotiated consent agreements, and emergency temporary cease and desist orders.

All disciplinary actions are subject to the Public Records Act and may be provided in response to a request in accordance with WAC 4-30-024. The Board shall post any public safety notices on its website immediately.

Further Washington State resources

Web based

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

Licensed individuals and firms

The Board of Accountancy provides a licensee search for licensed individuals and firms on its website.

Copies of sanctions and Board orders

Specific copies of sanctions and other Board orders can be obtained directly from the Board through a Public Records Act request.

The Board published statistics reflection investigations on its website under "Consumer Protection/Investigation Statistics."

Review questions and answers

Review questions

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

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

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

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

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

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

12. Both the Board's rule and the AICPA's interpretation allow a CPA to withhold requested client records in exchange for outstanding fees.
- A. True.
 - B. False.
13. Acts discreditable and professional misconduct include but is not limited to:
- A. Failing to return client records.
 - B. Making false and misleading entries.
 - C. Failing to file any tax return required by federal, state, or local law.
 - D. All of the above.
14. Independence for purposes of rendering audit, review, compilation, or other attest services is defined the same with no differences by both the Board and in the AICPA rule and its interpretations.
- A. True.
 - B. False.
15. It is the duty of an applicant to make sure that the CPA who verifies their experience qualifies as a verifying CPA.
- A. True.
 - B. False.
16. New licensees are allowed to use the title CPA after:
- A. Successfully passing the CPA exam.
 - B. After obtaining qualifying experience.
 - C. Submitting a completed licensee application to the Board.
 - D. When their name appears as a licensee in the database on the Board's website.
17. If a CPA license is first issued by the Board on September 30 of year one, the initial three year CPE reporting period ends:
- A. September 30 of year four.
 - B. December 31 of year three.
 - C. September 30 of year three.

18. A sole practitioner who is licensed as an individual CPA and who issues a single compilation is required to have a separate firm license and obtain a peer review before that compilation is issued.
- A. True.
 - B. False.
19. During every three year CPE reporting period, a CPA must obtain:
- A. Four hours in an AICPA approved ethics course.
 - B. Four hours in a Board approved ethics courses.
 - C. Either A or B.
20. An individual renews their license by:
- A. December 31 of the renewal year.
 - B. April 30 of the renewal year.
 - C. June 30 of the renewal year.
 - D. July 1 of the renewal year.
21. If a CPA license is lapsed, the individual no longer has use of the title CPA and must remove it from their business cards, resume, website, social media, stationary, and other similar representations.
- A. True.
 - B. False.
22. For license renewal, a CPA is required to have 120 hours in CPE in with a minimum of 20 hours obtained each year.
- A. True.
 - B. False.
23. The amount of credit allowed for interactive self-CPE is:
- A. The amount recommended by the program sponsor.
 - B. One-half the average completion time.
 - C. None of the above.
24. Which are not part of the requirements of a formal program of CPE.

- A. Attendance is recorded.
 - B. The program is at least 60 minutes in length.
 - C. Participants sign in and if the program is greater than four hours, also sign out.
 - D. Attendees are given a certificate of completion.
25. For any CPE taken in a reporting period, you must retain copies of proof of attendance for three years after the reporting period and submit it to the Board:
- A. Annually.
 - B. During routine license renewal.
 - C. When randomly selected for CPE audit.
 - D. All of the above.
26. In order to request an extension of time to obtain CPE after the end of a reporting period, a request for an extension must be filed with the Board:
- A. Before the end of the reporting period.
 - B. After the end of the reporting period but before the due date of the renewal.
 - C. At any time.
 - D. All of the above.
27. CPE credits in excess of the Board prescribed minimums in a reporting period may be carried forward into the next reporting period.
- A. True.
 - B. False.
28. CPE credits may be carried back into a prior reporting period only upon prior approval of the Board.
- A. True.
 - B. False.
29. All licensed individuals have a due to notify the Board in writing of a change of address:
- A. Within 20 days.

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

Answers to review questions

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

25. C.

26. A.

27. B.

28. A.

29. B.

30. C.