

Washington CPA Ethics & New Developments

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Professional Ethics & New Developments

Learning objectives

Washington State Board of Accountancy objectives

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.

The Board revised the ethics requirement effective January 1, 2014. As part of the revision, ethics courses must be submitted annually to the Board for pre-approval by October 31 of the year prior to the year in which the course is offered.

Other objectives

In addition to covering required laws and rules, after this class participants should:

- Be informed and updated to changes to regulatory ethics and licensing.
- Identify state primary authorities and distinguish which authorities take precedent over others.
- Explain how state laws and rules apply to CPA's in industry.
- Learn to identify and avoid impairments of objectivity and integrity such as conflicts of interest and subordination of judgment.
- Illustrate common errors and mistakes that lead to inadvertent lapses of CPA licenses.
- Review frequently overlooked but legally binding standards for tax services that apply to those in public practice and industry.

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 Act does not apply to a CPA serving as an official or employee of a government entity. RCW 18.04.350(11).

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(11).

The Washington legislature passed the Uniform Accountancy Act effective July 1, 2001. The "CPA-Inactive" status grandfathered the holders of certificates from among other requirements, increased educational requirements. 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.

The Board created this status in 2012. Similar to "CPA-Inactive" status, a "CPA-Retired" titleholder 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.

The Board created this status in 2014, as well as an expedited licensing procedure for military spouses.

"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(42).

"Holding out"

"Holding out" means any representation to the public by the use of 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(20).

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 "audit reports," "review reports "or" compilation reports" on financial statements. RCW 18.04.025(19).
- 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(19).
- 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(19).

"Attest services"

"Attest" means providing the following financial statement 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 examination of prospective financial information 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).

During 2014, the definition of attest was expanded in the Uniform Accountancy Act to include examinations, reviews, and agreed-upon procedures under Statements on Standards for Attestations Engagements (SSAE). Because only licensed CPA firms can perform attest services, this has the effect of excluding non-CPA firms from applying these standards to services beyond the examination of prospective financial information. The Uniform Accountancy Act is a model act and any changes are nonbinding until each state chooses to adopt the revision.

"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).

Primary authorities

State laws, boards, and administrative rules

Created by state law, state boards of accountancy are governmental consumer protection agencies that initially qualify and monitor the professional performance and ethical behavior of Certified Public Accountants and CPA firms serving individual and enterprise consumers within their states.

As governmental agencies, state boards have rule making power and their rules are considered to have the force of the laws they implement. State boards, through their rule making power, adopt the standards of other professional bodies.

In the case of a conflict between board rules and other professional standards, board rules always prevail.

State CPA societies

These organizations are private nonprofit professional organizations that promote the value of the CPA credential to the public. In addition, they are the primary advocate before state accountancy boards. These organizations collaborate with the AICPA on advocacy on national issues, but are independent of the AICPA.

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.

While the AICPA ethics rules are very similar to board rules, the AICPA writes expansive and useful interpretations of its rules, which apply the AICPA Code of Professional Conduct to different factual situations.

The National Association of State Boards of Accountancy

The National Association of State Boards of Accountancy (NASBA) serves as a forum for the 55 boards of accountancy. NASBA's mission is to enhance the effectiveness of state boards of accountancy. NASBA's goals are to provide high quality, effective programs and services, identify, research and analyze major current and emerging issues

affecting state boards of accountancy; strengthen and maintain communications with state boards to facilitate the exchange of ideas and opinions; and develop and foster relationships with organizations that affect the regulation of public accounting.

NASBA and the AICPA are co-owners of the Uniform Accountancy Act and the Uniform CPA exam.

The International Accounting Standards Board

The International Accounting Standards Board (IASB) is the independent standard-setting body of the International Financial Reporting Standards (IFRS) Foundation. The Foundation and the Board's goal is to develop a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards. Its members are responsible for the development and publication of IFRSs, including approving Interpretations of IFRSs as developed by the IFRS Interpretations Committee (formerly called the IFRIC). IFRS are the standard or permitted accounting standards for listed companies in approximately 120 of 200 nations.

The Internal Revenue Service

Treasury Circular 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service, is the IRS's publication containing rules for standards, ethics, and practice before the IRS.

Beginning in 2010, the IRS started a program to regulate all tax return preparers. Preparers were required to apply for a Preparer Tax Identification Number (PTIN); pass an IRS competency exam; and take 15 hours of annual continuing education classes. Preparers who passed the exams were to be called "Registered Tax Return Preparers" and were subject to the standards of Circular 230. Attorneys, CPA's, and enrolled agents were exempt from the examination and continuing professional education requirements. However, because of lawsuits filed by unenrolled tax return preparers, the courts have struck down the IRS's ability to regulate tax return preparers.

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 in order to protect the interests of investors and further the public interest in the preparation of fair, informative, and independent audit reports.

The Government Accountability Office

The U. S. Government Accountability Office (GAO) is an independent, nonpartisan agency that works for Congress. It publishes Government Auditing Standards, frequently called the "Yellow Book." The publication contains, among other items, ethical and independence standards for government and recipients of federal monies.

General standards that govern a CPA

Standards must be met in fact and appearance

Ethical standards must be met in both fact and appearance. Appearance is in the perception of a reasonable third party.

Many professional standard setting bodies create rule-based systems for determining that a CPA has met a standard in fact. Because state boards are guided by the mission of consumer protection, they place greater emphasis on whether the CPA has met the standard in appearance. This creates a high burden of proof upon the CPA.

Covered relationships

The AICPA Code of Professional Conduct applies to providing “professional services.” The codes 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.

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.

Because board rules adopt the professional standards of other organizations or bodies, CPA's must apply the standards of private nonprofit professional associations of such as the AICPA, regardless of membership in the organization.

Revisions to the AICPA Code of Professional Conduct

During the last few years, the AICPA's Professional Ethics Executive Committee (PEEC) restructured the AICPA's ethics standards to improve the code so that members and others can apply the rules and reach correct conclusions more easily and intuitively. To achieve this, PEEC restructured the code into several parts each organized by topic, incorporated a conceptual framework for members in public practice and in business, and revised certain code provisions to reflect a conceptual framework approach of threats and safeguards. The revisions are effective December 15, 2014.

The code is now divided into four sections:

- A preface, for all members.
- Part 1, for members in public practice.
- Part 2, for members in business.
- Part 3, for other members such as members who are retired or unemployed.

Now there are three parallel AICPA codes, whether a member is providing services in public practice, business, or other members. Citations that start with "0" are from the preface and apply to all members, citations that start with "1" are for members in public practice, citations that start with "2" are for members in business, and citations that start with "3" are for other members. For example, the rule for "acts discreditable" applies to all members, so the rule is cited ET Sections 1.400.001, 2.400.001, and 3.400.001. Not all examples of acts discreditable apply to all members, for example the interpretation that notes failing to return client records is an act discreditable only applies to members in public practice and is cited as ET Section 1.400.200.

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.

Under the revised AICPA Code of Professional Conduct, a “member in business” is defined in the negative. It is a member who is employed or engaged on a contractual or volunteer basis in an executive, staff, governance, advisory, or administrative capacity in such areas as industry, the public sector, education, the not-for-profit sector, and regulatory or professional bodies. This does not include a member engaged in public practice. ET Section 0.400.32.

AICPA rules for other members

Other members are subject to the rule for acts discreditable.

“Acts discreditable” is the broadest rule and includes specific interpretations based upon other AICPA rules such as integrity, objectivity, and confidentiality. Therefore, all members are still bound by these general principles as a matter of professional conduct and protecting the public interest, regardless if a specific rule does not apply to a member in business or other members.

The conceptual framework approach

Threats and safeguards

The revised code applies a conceptual frameworks of threats and safeguards.

- Threats are relationships or circumstances that could compromise a member’s compliance with the rules.
- Safeguards are the actions or other measures that may eliminate a threat or reduce the threat to an acceptable level.

An “acceptable level” is a level at which a reasonable and informed third party who is aware of the relevant information would be expected to conclude that a member’s compliance with the rules is not compromised.

A member needs to identify threats, evaluate whether the threat is at an acceptable level both qualitatively and quantitatively, and if not at an acceptable level, apply safeguards to reduce the threat to an acceptable level. ET Sections 1.000.010 and 2.000.010.

Categories of threats

As part of its conceptual framework, the AICPA lists different types of threats. Threats vary whether a member is in public practice or business, but generally fall into the broad categories of adverse interest, advocacy, familiarity, management participation, self-interest, self-review, and undue influence.

Adverse interest threat

For members in public practice, the threat that a member will not act with objectivity because the member's interests are opposed to the client's interests. Examples of adverse interest threats include the following:

- The client has expressed an intention to commence litigation against the member.
- A client or officer, director, or significant shareholder of the client participates in litigation against the firm.
- A subrogee asserts a claim against the firm for recovery of insurance payments made to the client.
- A class action lawsuit is filed against the client and its officers and directors and the firm and its professional accountants. ET Section 1.000.010.10.

For members in business, the threat that a member will not act with objectivity because the member's interests are opposed to the interests of the employing organization. Examples of adverse interest threats include the following:

- A member has charged, or expressed an intention to charge, the employing organization with violations of law.
- A member or the member's immediate family or close relative has a financial or another relationship with a vendor, customer, competitor, or potential acquisition of the employing organization.
- A member has sued or expressed an intention to sue the employing organization or its officers, directors, or employees. ET Section 2.000.010.09.

Advocacy threat

For members in public practice, the threat that a member will promote a client's interests or position to the point that his or her objectivity or independence is compromised. Examples of advocacy threats include the following:

- A member provides forensic accounting services to a client in litigation or a dispute with third parties.

- A firm acts as an investment adviser for an officer, a director, or a 10% shareholder of a client.
- A firm underwrites or promotes a client's shares.
- A firm acts as a registered agent for a client.
- A member endorses a client's services or products. ET Section 1.000.010.11.

For members in business, the threat that a member will promote an employing organization's interests or position to the point that his or her objectivity is compromised. Examples of advocacy threats include the following:

- Obtaining favorable financing or additional capital is dependent upon the information that the member includes in, or excludes from, a prospectus, an offering, a business plan, a financing application, or a regulatory filing.
- The member gives or fails to give information that the member knows will unduly influence the conclusions reached by an external service provider or other third party. ET Section 2.000.010.10.

For members in public practice and business, the rules for tax positions and advocacy in tax matters are governed by the AICPA's Statements on Standards for Tax Services.

Familiarity threat

For members in public practice, the threat that, due to a long or close relationship with a client, a member will become too sympathetic to the client's interests or too accepting of the client's work or product. Examples of familiarity threats include the following:

- A member's immediate family or close relative is employed by the client.
- A member's close friend is employed by the client.
- A former partner or professional employee joins the client in a key position and has knowledge of the firm's policies and practices for the professional services engagement.
- Senior personnel have a long association with a client.
- A member has a significant close business relationship with an officer, a director, or a 10% shareholder of a client. ET Section 1.000.010.12.

The courts have found familiarity threats in appearance in examples of numerous casual emails between a client and a CPA on topics other than work, especially in the use of unprofessional, vulgar, and profane language. The Journal of Accountancy, June 2013.

For members in business, the threat that, due to a long or close relationship with a person or an employing organization, a member will become too sympathetic to their interests or too accepting of the person's work or employing organization's product or service. Examples of familiarity threats include the following:

- A member uses an immediate family's or a close relative's company as a supplier to the employing organization.
- A member may accept an individual's work product with little or no review because the individual has been producing an acceptable work product for an extended period of time.
- A member's immediate family or close relative is employed as a member's subordinate.
- A member regularly accepts gifts or entertainment from a vendor or customer of the employing organization. ET Section 2.000.010.11.

Management participation threat

For members in public practice, the threat that a member will take on the role of client management or otherwise assume management responsibilities, such may occur during an engagement to provide nonattest services. ET Section 1.000.010.13.

Self-interest threat

For members in public practice, the threat that a member could benefit, financially or otherwise, from an interest in, or relationship with, a client or persons associated with the client. Examples of self-interest threats include the following:

- The member has a financial interest in a client, and the outcome of a professional services engagement may affect the fair value of that financial interest.
- The member's spouse enters into employment negotiations with the client.
- A firm enters into a contingent fee arrangement for a tax refund claim that is not a predetermined fee.
- Excessive reliance exists on revenue from a single client. ET Section 1.000.010.14.

For members in business, the threat that a member could benefit, financially or otherwise, from an interest in, or relationship with, the employing organization or persons associated with the employing organization. Examples of self-interest threats include the following:

- A member's immediate family or close relative has a financial interest in the employing organization.

- A member holds a financial interest (for example, shares or share options) in the employing organization, and the value of that financial interest is directly affected by the member's decisions.
- A member is eligible for a profit or other performance-related bonus, and the value of that bonus is directly affected by the member's decisions. ET Section 2.000.010.12.

Self-review threat

For members in public practice, the threat that a member will not appropriately evaluate the results of a previous judgment made or service performed or supervised by the member or an individual in the member's firm and that the member will rely on that service in forming a judgment as part of another service. Examples of self-review threats include the following:

- The member relies on the work product of the member's firm.
- The member performs bookkeeping services for a client.
- A partner in the member's office was associated with the client as an employee, an officer, a director, or a contractor. ET Section 1.000.010.15.

For members in business, the threat that a member will not appropriately evaluate the results of a previous judgment made or service performed or supervised by the member, or an individual in the employing organization and that the member will rely on that service in forming a judgment as part of another service. Examples of self-review threats include the following:

- When performing an internal audit procedure, an internal auditor accepts work that he or she previously performed in a different position.
- The member accepts the work previously performed by the member, alone or with others that will be the basis for providing another professional service. ET Section 2.000.010.13.

Undue influence threat

For members in public practice, the threat that a member will subordinate his or her judgment to an individual associated with a client or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the member. Examples of undue influence threats include the following:

- The firm is threatened with dismissal from a client engagement.
- The client indicates that it will not award additional engagements to the firm if the firm continues to disagree with the client on an accounting or tax matter.

- An individual associated with a client or any relevant third party threatens to withdraw or terminate a professional service unless the member reaches certain judgments or conclusions. ET Section 1.000.010.16.

For members in business, the threat that a member will subordinate his or her judgment to that of an individual associated with the employing organization or any relevant third party due to that individual's position, reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the member. Examples of undue influence threats include the following:

- A member is pressured to become associated with misleading information.
- A member is pressured to deviate from a company policy.
- A member is pressured to change a conclusion regarding an accounting or a tax position.
- A member is pressured to hire an unqualified individual. ET Section 2.000.010.14.

Ethical conflicts

An ethical conflict arises when a member encounters one or both of the following:

- Obstacles to following an appropriate course of action due to internal or external pressures, and/or;
- Conflicts in applying relevant professional and legal standards.

Once an ethical conflict is encountered, a member may be required to take steps to achieve compliance with the rules and laws. The member should be prepared to justify any departures, consult with the appropriate parties within the organization or externally, and if the conflict is unresolved, consider whether to disengage from the engagement team, client, firm, or employer. ET Sections 1.000.020 and 2.000.020.

Safeguards

Safeguards may partially or completely eliminate a threat or diminish the potential influence of a threat. The nature and extent of the safeguards applied will depend on many factors. To be effective, safeguards should eliminate the threat or reduce it to an acceptable level. ET Sections 1.000.010.18 and 2.000.010.15.

For members in public practice, safeguards may eliminate a threat or reduce it to an acceptable level. They generally fall into three broad categories:

- Safeguards created by the profession, legislation, or regulation.

- Safeguards implemented by the client. It is not possible to rely solely on safeguards implemented by the client to eliminate or reduce significant threats to an acceptable level.
- Safeguards implemented by the firm, including policies and procedures to implement professional and regulatory requirements. ET Section 1.000.010.12.

For members in business, safeguards may eliminate a threat or reduce it to an acceptable level. They generally fall into two broad categories:

- Safeguards created by the profession, legislation, or regulation.
- Safeguards implemented by the employing organization. ET Section 2.000.010.16.

The following are examples of safeguards created by the profession, legislation, or regulation:

- Education and training requirements on professional responsibilities and ethics rules.
- Continuing education requirements on ethics.
- Professional standards and the threat of discipline.
- External review of a firm's quality control system.
- Legislation establishing prohibitions and requirements for a firm, firm's professional employees, and entities.
- Competency and experience requirements for professional licensure.
- Professional resources, such as hotlines, for consultation on ethical issues. ET Sections 1.000.010.21 and ET Section 2.100.010.19.

For members in public practice, examples of safeguards implemented by the client that would operate in combination with other safeguards are as follows:

- The client has personnel with suitable skill, knowledge, or experience who make managerial decisions about the delivery of professional services and makes use of third-party resources for consultation as needed.
- The tone at the top emphasizes the client's commitment to fair financial reporting and compliance with the applicable laws, rules, regulations, and corporate governance policies.
- Policies and procedures are in place to achieve fair financial reporting and compliance with the applicable laws, rules, regulations, and corporate governance policies.

- Policies and procedures are in place to address ethical conduct.
- A governance structure, such as an active audit committee, is in place to ensure appropriate decision making, oversight, and communications regarding a firm's services.
- Policies are in place that bar the entity from hiring a firm to provide services that do not serve the public interest or that would cause the firm's independence or objectivity to be considered impaired. ET Section 1.000.010.22.

For members in public practice, the following are examples of safeguards implemented by the firm:

- Firm leadership that stresses the importance of complying with the rules and the expectation that engagement teams will act in the public interest.
- Policies and procedures that are designed to implement and monitor engagement quality control.
- Documented policies regarding the identification of threats to compliance with the rules, the evaluation of the significance of those threats, and the identification and application of safeguards that can eliminate identified threats or reduce them to an acceptable level.
- Internal policies and procedures that are designed to monitor compliance with the firm's policies and procedures.
- Policies and procedures that are designed to identify interests or relationships between the firm or its partners and professional staff and the firm's clients.
- The use of different partners, partner equivalents, and engagement teams from different offices or that report to different supervisors.
- Training on, and timely communication of, a firm's policies and procedures and any changes to them for all partners and professional staff.
- Policies and procedures that are designed to monitor the firm's, partner's, or partner equivalent's reliance on revenue from a single client and that, if necessary, trigger action to address excessive reliance.
- Designation of someone from senior management as the person responsible for overseeing the adequate functioning of the firm's quality control system.
- A means for informing partners and professional staff of attest clients and related entities from which they must be independent.
- A disciplinary mechanism that is designed to promote compliance with policies and procedures.

- Policies and procedures that are designed to empower staff to communicate to senior members of the firm any engagement issues that concern them without fear of retribution.
- Policies and procedures relating to independence and ethics communications with audit committees or others charged with client governance.
- Discussion of independence and ethics issues with the audit committee or others responsible for the client's governance.
- Disclosures to the audit committee or others responsible for the client's governance regarding the nature of the services that are or will be provided and the extent of the fees charged or to be charged.
- The involvement of another professional accountant who (a) reviews the work that is done for a client or (b) otherwise advises the engagement team. This individual could be someone from outside the firm or someone from within the firm who is not otherwise associated with the engagement.
- Consultation on engagement issues with an interested third party, such as a committee of independent directors, a professional regulatory body, or another professional accountant.
- Rotation of senior personnel who are part of the engagement team.
- Policies and procedures that are designed to ensure that members of the engagement team do not make or assume responsibility for management decisions for the client.
- The involvement of another firm to perform part of the engagement.
- Having another firm to re-perform a nonattest service to the extent necessary for it to take responsibility for that service.
- The removal of an individual from an attest engagement team when that individual's financial interests or relationships pose a threat to independence or objectivity.
- A consultation function that is staffed with experts in accounting, auditing, independence, ethics, and reporting matters who can help engagement teams assess issues when guidance is unclear or when the issues are highly technical or require a great deal of judgment; and resist undue pressure from a client when the engagement team disagrees with the client about such issues.
- Client acceptance and continuation policies that are designed to prevent association with clients that pose a threat that is not at an acceptable level to the member's compliance with the rules.

- Policies that preclude audit partners or partner equivalents from being directly compensated for selling nonattest services to the attest client.
- Policies and procedures addressing ethical conduct and compliance with laws and regulations. ET Section 1.000.010.23.

For members in business, examples of safeguards implemented by the employing organization are as follows:

- A tone at the top emphasizing a commitment to fair financial reporting and compliance with applicable laws, rules, regulations, and corporate governance policies.
- Policies and procedures addressing ethical conduct and compliance with laws, rules, and regulations.
- Audit committee charter, including independent audit committee members.
- Internal policies and procedures requiring disclosure of identified interests or relationships among the employing organization, its directors or officers, and vendors, suppliers, or customers.
- Internal policies and procedures related to purchasing controls.
- Internal policies and procedures related to customer acceptance or credit limit.
- Dissemination of corporate ethical compliance policies and procedures, including whistle-blower hotlines, the reporting structure, dispute resolution, or other similar policies, to promote compliance with laws, rules, regulations, and other professional requirements.
- Human resource policies and procedures safeguarding against discrimination or harassment, such as those concerning a worker's religion, sexual orientation, gender, or disability.
- Human resource policies and procedures stressing the hiring and retention of technically competent employees.
- Policies and procedures for implementing and monitoring ethical policies.
- Assigning sufficient staff with the necessary competencies to projects and other tasks.
- Policies segregating personal assets from company assets.
- Staff training on applicable laws, rules, and regulations.
- Regular monitoring of internal policies and procedures.

- A reporting structure whereby the internal auditor does not report to the financial reporting group.
- Policies and procedures that do not allow an internal auditor to monitor areas where the internal auditor has operational or functional responsibilities.
- Policies for promotion, rewards, and enforcement of a culture of high ethics and integrity.
- Use of third-party resources for consultation as needed on significant matters of professional judgment. ET Section 2.000.010.20.

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 differ from or conflict with specific board rules, Board rules prevail. WAC 4-30-040.

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.

A conflict of interest arises when a professional has multiple interests, and one is a directly adverse (not mutual) interest to another interest, which could possibly impair professional judgment. Sometimes the professional is in a situation of a potential conflict of interest between two different clients such as divorcing couples and sometimes it is directly between the professional and the client, such as with an employer or obtaining a loan from a client that is not a financial institution.

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 course of 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 the purpose of 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. 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.

Conflicts of interest and IRS Circular 230

Sec. 10.29(a) forbids a practitioner from representing a client before the IRS if the representation involves a conflict of interest. A conflict of interest exists if the representation of one client will be directly adverse to another client; or there is a significant risk that the representation of one or more clients will be materially limited by the practitioner's responsibilities to another client, a former client or a third person, or by a personal interest of the practitioner.

In September 2011, the IRS made changes to Circular 230 to strengthen its conflict of interest provisions. The revisions clarified that tax return preparation was subject to its conflict of interest provisions.

Sec. 10.29(b) allows that the practitioner may represent a client if the practitioner reasonably believes that the practitioner will be able to provide competent and diligent representation to each affected client; the representation is not prohibited by law; and each affected client waives the conflict of interest and gives informed consent, confirmed in writing by each affected client, at the time the existence of the conflict of interest is known by the practitioner. The confirmation may be made within a reasonable period after the informed consent, but in no event later than 30 days.

Directorships

When a member in public practice serves as a director of an entity, such as a bank, the member's fiduciary responsibilities to the entity may create threats to the member's compliance with integrity, objectivity, and confidentiality. ET Section 1.110.020.01.

For example, an adverse interest threat to the member's objectivity may exist if the member's clients are customers of the entity or likely to engage in significant transactions with the entity. A member's general knowledge and experience may be very helpful to an entity in formulating policies and making business decisions. Nevertheless, if the member's clients are likely to engage in significant transactions with the entity, it would be more appropriate for the member to serve as a consultant to the board. Under such an arrangement, the member could limit activities to those that do not threaten the member's compliance with these rules. If, however, the member serves as a board member, the member should evaluate the significance of

any threats and apply safeguards, when necessary, to eliminate or reduce the threats to an acceptable level. ET Section 1.110.020.01.

Acceptance or offering of gifts or entertainment

For a member in public practice, a client includes the client, an individual in a key position with the client, or an individual owning 10% or more of the client's outstanding equity securities or other ownership interests. ET Section 1.120.010.01.

For a member in business, a customer or vendor of the member's employer includes a representative of the customer or vendor. ET Section 2.120.010.01.

When a member offers to a client or accepts gifts or entertainment from a client, customer, or vendor, self-interest, familiarity, or undue influence threats to the member's integrity and objectivity may exist. ET Sections 1.120.010.02 and 2.120.010.02.

Threats to integrity and objectivity would not be at an acceptable level and could not be reduced to an acceptable level by the application of safeguards and the member would be presumed to lack integrity in the following circumstances:

- The member offers to a client, customer, or vendor, or accepts gifts or entertainment from a client, customer, or vendor that violate the member's, client's, employer's, customer's, or vendor's policies or applicable laws, rules, and regulations; and
- The member knows of the violation or demonstrates recklessness in not knowing. ET Sections 1.120.010.03 and 2.120.010.03.

The threats to self-interest, familiarity, or undue influence are at an acceptable level if the gifts or entertain are reasonable under the circumstances. The following are examples of relevant facts and circumstances.

- The nature of the gift or entertainment.
- The occasion giving rise to the gift or entertainment.
- The cost or value of the gift or entertainment.
- The nature, frequency, and value of other gifts and entertainment offered or accepted.
- Whether the entertainment was associated with the active conduct of business directly before, during, or after the entertainment.
- Whether other clients, customers, or vendors also participated in the entertainment.

- The individuals from the client's customer or vendor and a member's employer who participated in the entertainment. ET Sections 1.120.010.04 and 2.120.010.04.

Obligations to an external accountant

Members in business must maintain objectivity and integrity in the performance of a professional service. When dealing with an employer's external accountant, a member must be candid and not knowingly misrepresent facts or knowingly fail to disclose material facts. This would include, for example, responding to specific inquiries for which the employer's external accountant requests written representation. ET Section 2.130.030.01.

Educational services

Members in business who perform educational services, such as teaching full or part time at a university, teaching a continuing professional education course, or engaging in research and scholarship, are performing professional services and, therefore, are subject to the rules for integrity and objectivity. ET Section 2.160.010.01.

Knowing misrepresentations

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.

For members in business, the rules for tax positions and advocacy in tax matters are governed by the AICPA's Statements on Standards for Tax Services.

Use of third-party service provider and client disclosure

Clients might not have an expectation that a member would use a third-party service provider to assist the member in providing the professional services. Therefore, before disclosing confidential client information to a third-party service provider, the member should inform the client, preferably in writing, that the member may use a third-party service provider. If the client objects to the member's use of a third-party service provider, the member either should not use the third-party service provider to perform the professional services or should decline to perform the engagement. ET Section 1.150.040.02.

A member is not required to inform the client when he or she uses a third-party service provider to provide administrative support services to the member (for example, record storage, software application hosting, or authorized e-file tax transmittal services). ET Section 1.150.040.03.

Loans and other business transactions with clients

AICPA rule

The AICPA Code of Professional Conduct does not specifically address issues relating to business transactions with clients and integrity and objectivity. However, it does address these issues in context of independence.

Washington rule

The Washington State Board of Accountancy considers it prima facie evidence that a CPA has engaged in dishonesty, fraud, or negligence if a CPA borrows funds from a client unless the client is in the business of making loans of the type obtained by the CPA and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness. WAC 4-30-142(8).

Professional competence

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.

Engagement letters are valuable and underutilized tools for managing client expectations, protecting against professional liability risks, and determining the integrity of clients. In all professional liability claims, approximately 30% lack engagement letters. In tax claims, approximately 50% lack engagement letters. Disciplinary authorities often cite lack of engagement letters as creating the misunderstandings that lead to disciplinary actions. An engagement letter can be sent in an email, to which a client responds that they accept the terms.

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.

If a CPA tax preparer makes an error on a client's return, the CPA will be held responsible for the error, penalties, and interest. In 2014, a CPA was disciplined by the Washington Board after making an error on a client's return, and refusing to pay the client \$150.20 in interest assessed by the IRS.

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).

With the ability to practice interstate because of mobility, the Washington Board has determined that a CPA is bound by at least 160 different governmental and standard setting bodies. Because accounting is a government regulated profession, compliance with any of those bodies' standards is mandatory, not voluntarily.

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.

Unlike the legal profession, confidentiality to the courts in a client CPA-relationship is not a privileged relationship. Very limited privilege may exist for some federal tax planning, and only to the extent that privilege has not been waived. Internal Revenue Code Section 3411. A CPA may also be engaged by an attorney to work on a client matter, and in that case the CPA's work product is protected by the attorney's work product privilege.

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 in connection with the investigative or disciplinary proceedings described in (4) above or the professional practice reviews described in (3) above. ET Section 1.700.001.02.

Before responding to any subpoena, a CPA should first seek advice from either an attorney or their professional liability insurer. Some subpoenas require documents, some require testimony, and some require both. Volunteering information beyond what is required in the subpoena is a violation of Rule 301. Providing documents beyond what is specifically requested is also a violation of the AICPA rule.

Washington rule

A CPA must not, without the written consent of the client or the heirs, successors or personal representatives of the client disclose any confidential communication or information pertaining to the client obtained in the course of 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 his or her personal representative or assignee to anyone other than one or more surviving partners, shareholders, or new partners or shareholders of the licensee, partnership, limited liability company, or corporation, or any combined or merged professional practice. 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 in the course of 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(4).

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

Disclosing information to a third-party service providers

Clients may not expect the member to use a third-party service provider to assist the member in providing the professional services. Therefore, before

disclosing confidential client information to a third-party service provider, the member should do one of the following:

- Enter into a contractual agreement with the third-party service provider to maintain the confidentiality of the information and provide reasonable assurance that the third-party service provider has appropriate procedures in place to prevent the unauthorized release of confidential information to others. The nature and extent of procedures necessary to obtain reasonable assurance depends on the facts and circumstances, including the extent of publicly available information on the third-party service provider's controls and procedures to safeguard confidential client information.
- Obtain specific consent from the client before disclosing confidential client information to the third-party service provider. ET Section 1.700.040.

Other AICPA interpretations on confidentiality

For members in public practice, the AICPA has interpretations on:

- Providing services to client competitors. ET Section 1.700.010.
- Disclosing information from previous engagements. ET Section 1.700.020.
- Disclosing information to persons or entities associated with clients. ET Section 1.700.030.
- Disclosing client information in connection with a sale of a member's practice. ET Section 1.700.050.
- Disclosure of client information to third parties. ET Section 1.700.060.
- Disclosing client information in director positions. ET Section 1.700.080.
- Disclosing client names. ET Section 1.700.090.
- Disclosing confidential client information as a result of a subpoena or summons. ET Section 1.700.100.

Internal Revenue Code Section 7216

Internal Revenue Code Section 7216 is a criminal provision enacted by the U.S. Congress in 1971 that prohibits preparers of tax returns from knowingly or recklessly disclosing or using tax return information. A convicted preparer may be fined not more than \$1,000 or imprisoned not more than one year or both, for each violation. Section 6713 allows the IRS to impose civil penalties as well.

New and more restrictive regulations are in effect January 1, 2009. Generally, tax preparers must obtain the signed consent of the taxpayer on paper or electronically before they can disclose taxpayer return information to anyone or use it for any

purpose other than in the context of preparing and filing the return. Separate consents are required for disclosure and use. Consents must:

- Identify the intended purpose of the disclosure or use.
- Identify the recipient(s) and describe the particular authorized information to be disclosed or used.
- Include the name of the tax return preparer and the name of the taxpayer.
- Include mandatory language that informs the taxpayer that he or she is not required to sign the consent and if he or she signs the consent, he or she can set a time period for the duration of that consent.
- Include the mandatory language that refers the taxpayer to the Treasury Inspector General for Tax Administration if he or she believes that his or her tax return information has been disclosed or used improperly.
- Where applicable, include the appropriate mandatory statement that informs the taxpayer that his or her tax return information may be disclosed to a tax return preparer located outside the U.S.
- Be in 12-point type on 8 1/2 by 11 inch paper. Electronic consents must be in the same type as the web site's standard text.
- Contain the taxpayer's affirmative consent (as opposed to an "opt-out" clause).
- Be signed and dated by the taxpayer.

In late 2012, the Internal Revenue Service updated final and temporary regulations regarding the disclosure and use of tax return information by tax return preparers without taxpayer consent. The regulations continue a narrow view of allowable disclosures. For example, tax return preparers may compile, maintain, and use lists for solicitation of tax return business, but the information may not be used to solicit non-tax return preparation services. Similarly, these regulations allow the disclosure of tax return information to the extent necessary to accomplish required legal or ethical conflict reviews to avoid client conflicts of interest.

Employer and volunteer activity confidentiality

A CPA has always been required to maintain confidentiality in all professional relationships. For those in business, this failure to do so is considered and act discreditable. ET Sections 2.400.070 and 3.400.070.

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.

This is the rule of the AICPA Code of Professional Conduct that applies to all members, whether in public practice, business, or other members. However, not all interpretations of acts discreditable apply to all members.

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.

An act may be illegal, but still not considered an act discreditable if there is no connection to a professional license. See Ritter v. State of Washington, Board of Registration for Professional Engineers and Land Surveyors. Docket 40010-3-II, Division II, Washington Court of Appeals (2011).

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

Washington acts discreditable and the marijuana industry

On July 24, 2014, the Washington Board adopted a resolution in regard to the marijuana industry. Pending changes in federal marijuana enforcement policy, the Board noted it believes that offering or performing professional services for those commercial business enterprises in the Washington legalized marijuana industry is not specifically prohibited by the Washington Act or Board Rules.

While offering or performing professional services to the marijuana industry is not considered professional misconduct, failing to follow professional standards when performing those services would still be considered professional misconduct. For example, Section 61 of the Internal Revenue Code requires a reporting of all illegal income and Section 280E prohibits deductions or credits related to any trade or business that is engaged in the trafficking of controlled substances illegal under federal or state law. In certain states that have legalized marijuana and have an income tax, such as Oregon, for state income tax purposes only Section 280E does not apply.

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

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 virtue of 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 be in compliance with 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 into or directs or knowingly permits another individual to enter into 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 as a result 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 as a result 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 as a result 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.

Other than a violation of confidentiality, disclosure of such information may be also considered subordination of judgment to another and a violation of the rule on integrity and objectivity.

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 as a result 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

A failure to return clients records is considered and "act discreditable". ET Section 1.400.200. Board rules are more restrictive than the AICPA Code of Professional Conduct and therefore a member should follow applicable Board rules.

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).

Minimum requirements to provide requested records

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)(b).

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.

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(4).

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(5).

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(8).

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(9).

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(10).

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.

AICPA interpretations on independence

The AICPA has many interpretations on independence. A valuable resource that is available to both members and the public is the AICPA's Plain English Guide to Independence, which covers AICPA independence rules in topical language. In addition, the guide describes key differences between AICPA, SEC, and PCAOB rules. The guide is available at the AICPA's website.

Key differences between AICPA and Washington rules

Washington Board rules specifically adopt the AICPA Code of Conduct standards, and specifically refer to AICPA independence standards. The AICPA, in its interpretations, expansively addresses independence issues.

However, independence determinations in Washington State differ from AICPA guidance. Under Washington Board rules, independence means the absence of relationships that impair a licensee's impartiality and objectivity in rendering attest services. This differs from AICPA and other guidance in that this is not a rules based issue. The CPA must evaluate his or her objectivity and determine whether or not he or she is objective and impartial in addition to the perception of a reasonable and foreseeable user of the attest report.

The Washington Board notes that CPA's in industry share responsibility to ensure the independence of any firm or individuals assigned to the engagement team when their organization engages a firm to render any kind of third-party assurance services. Lack of independence by an engaged firm or individual can place the entity at risk of having a required report be viewed as unacceptable.

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.

A conceptual framework for independence

Because it is impossible to enumerate all circumstances in which the appearance of independence might be questioned, the AICPA has a separate conceptual framework for independent that identify examples of threats and safeguards. ET Section 1.200.005.

Loans from financial institution clients

If a covered member has a loan to or from an attest client, any officer or director of the attest client, or any individual owning 10% or more of the attest client's outstanding equity securities or other ownership interests, a self-interest threat to the covered member's compliance with the "Independence Rule" may exist. Threats would not be at an acceptable level and independence would be impaired if the loan exists during the period of the professional engagement, except as otherwise permitted for loans from financial institution clients. ET Section 1.260.010.

Under board rules, loans with clients are issues of a conflict of interest, not an issue of independence.

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

Licenses 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

Licenses 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).

Contingent fees and IRS Circular 230

Circular 230 is narrower than the AICPA rule. Section 10.27 was amended in 2007 to prohibit tax practitioners from charging contingent fees for services related to preparing, filing, or presenting tax returns or refund claims. Contingent fees were allowed only after the IRS had started an audit of the return. However, in 2014, The U.S. District Court for the District of Columbia granted a motion of summary judgment and issued an injunction to prevent the IRS from regulating contingent fee arrangements for the preparation and filing of ordinary refund claims. *Ridgely*, No. 1:12-cv-00565 (CRC) (D.D.C. 7/17/14).

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 by the use of 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 by the use of 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.

AICPA Statements on Standards for Tax Services

In general

The Tax Executive Committee of the AICPA has issued seven standards for tax services.

For the purpose of these standards, a "taxpayer" is a client, a member's employer, or any third party recipient of tax services.

The standards apply to services for any tax authority, whether federal, foreign, state, or local.

Tax return positions

This statement sets forth the applicable standards for members when recommending tax return positions and preparing or signing tax returns (including amended returns, claims for refund, and information returns) filed with any taxing authority. For purposes of these standards, a tax return position is (a) a position reflected on the tax return as to which the taxpayer has been specifically advised by a member or (b) a position about which a member has knowledge of all material facts and, on the basis of those facts, has concluded whether the position is appropriate. AICPA Statement on Standards for Tax Services No. 1.

For purposes of these standards, a taxpayer is a client, a member's employer, or any other third-party recipient of tax services.

A member should determine and comply with the standards, if any, that are imposed by the applicable taxing authority with respect to recommending a tax return position, or preparing or signing a tax return.

If the applicable taxing authority has no written standards with respect to recommending a tax return position or signing a tax return, or if the standards are lower than the following AICPA standards, the following standards will apply:

- A member should not recommend that a tax return position be taken with respect to any item unless the member has a good-faith belief that the position has a realistic possibility of being sustained administratively or judicially on its

merits if challenged. A member should not prepare or sign a return that does not meet this standard.

- Notwithstanding the first paragraph, a member may recommend a tax return position that the member concludes there is a reasonable basis for the position and the member advises the taxpayer to appropriately disclose. A member may prepare or sign a return if the member concludes there is a reasonable basis for the position and the position is appropriately disclosed.
- When recommending tax return positions and when preparing or signing a return on which a tax return position is taken, a member should, when relevant, advise the taxpayer regarding potential penalty consequences of such tax return position and the opportunity, if any, to avoid such penalties through disclosure.

Regarding nonfiling of returns, particularly state and local returns where nexus exists, the only marginal defense is that it is an error and immaterial. As a nonfiler cannot disclose their position on any return, the only allowed position is a good-faith belief that the position has a realistic possibility of being sustained administratively or judicially on its merits. That means the taxing authority or an independent tryer of fact would have to agree that no filing was required.

A member should not recommend a tax return position or prepare or sign a return reflecting a position that the member knows:

- Exploits the audit selection process of a taxing authority.
- Serves as a mere arguing position advanced solely to obtain leverage a negotiation with a taxing authority.

When recommending a tax return position, a member has both the right and responsibility to be an advocate for the taxpayer with respect to any position satisfying the aforementioned standards.

Answers to questions on tax returns

This statement sets forth the applicable standards for members when signing the preparer's declaration on a tax return if one or more questions on the return have not been answered. The term "questions" includes requests for information on the return, in the instructions, or in the regulations, whether or not stated in the form of a question. AICPA Statement on Standards for Tax Services No. 2.

A member should make a reasonable effort to obtain from the taxpayer the information necessary to provide appropriate answers to all questions on a tax return before signing as preparer.

Certain procedural aspects of preparing returns

This statement sets forth the applicable standards for members concerning the obligation to examine or verify certain supporting data or to consider information related to another taxpayer when preparing a taxpayer's tax return. AICPA Statement on Standards for Tax Services No. 3.

In preparing or signing a return, a member may in good faith rely, without verification, on information furnished by the taxpayer or by third parties. However, a member should not ignore the implications of information furnished and should make reasonable inquiries if the information furnished appears to be incorrect, incomplete, or inconsistent either on its face or on the basis of other facts known to a member. Further, a member should refer to the taxpayer's returns for one or more prior years whenever feasible.

If the tax law or regulations impose a condition with respect to deductibility or other tax treatment of an item, such as taxpayer maintenance of books and records or substantiating documentation to support the reported deduction or tax treatment, a member should make appropriate inquiries to determine to the member's satisfaction whether such condition has been met.

When preparing a tax return, a member should consider information actually known to that member from the tax return of another taxpayer if the information is relevant to that tax return and its consideration is necessary to properly prepare that tax return. In using such information, a member should consider any limitations imposed by any law or rule relating to confidentiality.

Use of estimates

This statement sets forth the applicable standards for members when using the taxpayer's estimates in the preparation of a tax return. A member may advise on estimates used in the preparation of a tax return, but the taxpayer has the responsibility to provide the estimated data. Appraisals or valuations are not considered estimates for purposes of this statement. AICPA Statement on Standards for Tax Services No. 4.

Unless prohibited by statute or by rule, a member may use the taxpayer's estimates in the preparation of a tax return if it is not practical to obtain exact data and if the member determines that the estimates are reasonable based on the facts and circumstances known to the member. If the taxpayer's estimates are used, they should be presented in a manner that does not imply greater accuracy than exists.

Departure from a position previously concluded

This statement sets forth the applicable standards for members in recommending a tax return position that departs from the position determined in an administrative proceeding or in a court decision with respect to the taxpayer's prior return. AICPA Statement on Standards for Tax Services No. 5.

For purposes of this statement, administrative proceeding also includes an examination by a taxing authority or an appeals conference relating to a return or a claim for refund.

For purposes of this statement, court decision means a decision by any court having jurisdiction over tax matters.

The tax return position with respect to an item as determined in an administrative proceeding or court decision does not restrict a member from recommending a different tax position in a later year's return, unless the taxpayer is bound to a specified treatment in the later year, such as by a formal closing agreement. Therefore, the member may recommend a tax return position or prepare or sign a tax return that departs from the treatment of an item as concluded in an administrative proceeding or court decision with respect to a prior return of the taxpayer provided the requirements of Statement on Standards for Tax Services (SSTS) No. 1 Tax Return Positions, are satisfied.

Knowledge of an error

This statement sets forth the applicable standards for a member who becomes aware of (a) an error in a taxpayer's previously filed tax return; (b) an error in a return that is the subject of an administrative proceeding, such as an examination by a taxing authority or appeals conference; or (c) a taxpayer's failure to file a required tax return. AICPA Statement on Standards for Tax Services No. 6.

The term "error" includes any position, omission, or method of accounting that, at the time the return is filed, fails to meet the standards set out in Statement on Standards for Tax Services (SSTS) No. 1, Tax Return Positions. The term error also includes a position taken on a prior year's return that no longer meets these standards due to legislation, judicial decisions, or administrative pronouncements having retroactive effect. However, an error does not include an item that has an insignificant effect on the taxpayer's tax liability.

This statement applies whether or not the member prepared or signed the return that contains the error.

A member should inform the taxpayer promptly upon becoming aware of an error in a previously filed return, an error in a return that is the subject of an administrative proceeding, or upon becoming aware of a taxpayer's failure to file a required return. A member should also advise the taxpayer of the potential consequences of the error and recommend corrective measures be taken.

Such recommendation may be given orally. The member is not obligated to inform the taxing authority, and a member may not do so without the taxpayer's permission, except when required by law.

If a member is requested to prepare the current year's return and the taxpayer has not taken appropriate action to correct an error in a prior year's return, the member should consider whether to withdraw from preparing the return and whether to continue a professional or employment relationship with the taxpayer. If the member

does prepare such current year's return, the member should take reasonable steps to ensure that the error is not repeated.

If a member is representing a taxpayer in an administrative proceeding with respect to a return that contains an error of which a member is aware, the member should request the taxpayer's agreement to disclose the error to the taxing authority. Lacking such agreement, the member should consider whether to withdraw from representing the taxpayer in the administrative proceeding and whether to continue a professional or employment relationship with the taxpayer.

Form and content of advice to taxpayers

This statement sets forth the applicable standards for members concerning certain aspects of providing advice to a taxpayer and considers the circumstances in which a member has a responsibility to communicate with a taxpayer when subsequent developments affect advice previously provided. The statement does not, however, cover a member's responsibilities when the expectation is that the advice rendered is likely to be relied on by parties other than the taxpayer. AICPA Statement on Standards for Tax Services No. 7.

A member should use judgment to ensure that tax advice provided to a taxpayer reflects professional competence and appropriately serves the taxpayer's needs. When communicating tax advice to a taxpayer in writing, a members should comply with relevant taxing authorities' standards, if any, applicable to written tax advice.

In 2014, the IRS revised Circular 230 regulations and modified the standards regarding written tax advice. The Covered Opinion Rules were eliminated and replaced with new standards. It is now no longer necessary to have a Circular 230 disclaimer at the bottom of email. In fact, the IRS's Office of Professional Responsibility has issued a statement that if tax practitioners continue to use disclaimers referencing Circular 230, they will receive a "cease and desist" letter from the IRS.

A member should use professional judgment about any need to document oral advice. A member is not required to follow a standard format when communicating or documenting oral advice to a taxpayer.

A member should assume that tax advice provided to a taxpayer will affect the manner in which the matters or transactions considered would be reported on the taxpayer's tax returns. Therefore, for tax advice given to a taxpayer, a member should consider when relevant (a) return reporting and disclosure standards applicable to the related tax return position and (b) the potential penalty consequences of the return position. In ascertaining applicable return and reporting standards, a member should follow the standards in Statement on Standards for Tax Services (SSTS) No. 1, Tax Return Positions.

A member has no obligation to communicate with a taxpayer when subsequent developments affect advice previously provided with respect to significant matters, except while assisting a taxpayer in implementing procedures or plans associated with

the advice provided or when a member undertakes this obligation by specific agreement.

AICPA Enforcement

The Professional Ethics Division

The Professional Ethics Division investigates potential disciplinary matters involving members of the AICPA and state CPA societies participating in the Joint Ethics Enforcement Program.

Joint Ethics Enforcement Program (JEEP)

The AICPA and each of the state societies have respective codes of professional conduct that their members are obligated to observe as a condition of their membership. The provisions of the codes of many state societies are identical with, or similar to, the provisions of the AICPA Code of Professional Conduct. Because of this identity and similarity, and because it is not uncommon for a CPA to be a member of both the AICPA and one or more state societies, the AICPA and virtually all of the state societies have joined together to create the Joint Ethics Enforcement Program (JEEP).

Further AICPA resources

Web based

The AICPA Code of Conduct and its interpretations are available online at www.aicpa.org.

Publications

The AICPA publishes new standards and interpretations in its official periodical, The Journal of Accountancy.

The AICPA offers back issues of The Journal of Accountancy, as well as specialized publications and self-study CPE in various issues surrounding ethics, at www.cpa2biz.com.

AICPA ethics hotline

The AICPA's Professional Ethics Division offers a hotline which can act as a sounding board for members who face ethical issues in their practices and for members in industry. In addition, members who notice, suspect, or are aware of significant deficiencies in the work of another member can contact the hotline for guidance. The email address is ethics@aicpa.org and the toll free number is (888) 777-7077.

Washington Administration and Rules

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.

The operations of the Board are funded solely by fees and the Board receives no budgetary allocation from the state’s general fund. Any fines levied are not retained by the Board, but are transferred into the state’ general fund. RCW 18.04.065. Therefore, there is no fiscal motivation for the Board to levy fines.

In 2015, the Legislature created the Certified Public Accounting Scholarship program. Board funds will be transferred to the Washington CPA Foundation for education to be used for scholarships for students enrolled at accredited Washington based colleges or universities, with a declared major in accounting, entering their junior yea or higher. SSB 5534, Ch. 215 (2015).

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.

Administrative rules in Washington are considered to have the force of the law they interpret. As part of the rule making process, agencies publish draft rules for public comment and the Board makes its draft rules available by notifying the public through email notices to subscribers of its electronic newsletter and public hearings.

It is divided by title, chapters, and rule. For example, Title 4 WAC is Board of Accountancy rules, Chapter 4-25 WAC are the general provisions, and WAC 4-30-042 is the rule for independence.

In the case of a conflict between Board rules and other professional standards, Board rules prevail. WAC 4-30-048.

Washington Board of Accountancy Board Policies

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

- 2000-1, Continuing Professional Education and Licensing Requirements.
- 2002-1, Substantially Equivalent Jurisdictions.
- 2002-2, Expert Witness Services.
- 2002-4, International Reciprocity.
- 2003-1, Safe Harbor Report Language for Use by Non-CPAs.
- 2004-1, Sanction and Penalty Guidelines.
- 2004-2, Exam Applicant Disability Documentation and Testing Modification Guidelines.
- 2011-1, Principles Underlying Board Rules.
- 2011-2, Interim Policy Guidelines Pending Rule Changes.
- 2012-1, Social Media.

Entry requirements

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 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.

For the purposes of meeting this requirement, individuals will be given 1.5 credits for each 1.0 graduate level credit of accounting courses taken; and 24 semester hours (36-quarter hours) or the equivalent in business administration subjects at the undergraduate or graduate level.

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

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.

Applying for an initial CPA license

To qualify to apply for an initial license you must meet:

- The good character requirements.
- The education requirements.
- The examination requirements.
- Upon passing the CPA examination, applicants for licensure are required to attain and demonstrate a passing grade of 90% or better on the AICPA Professional Code of Conduct examination.
- The experience requirements. WAC 4-30-062(6).

In 2014, the Board amended WAC 4-30-080 to require the applicant attain and document a passing grade of 90% or better on a Board-approved initial course covering the Washington Public Accountancy Act, related Board rules, and Board policies.

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(4).

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(5).

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.

Although a CPA licensed in Washington is not required to be a Washington resident, all Washington residents representing themselves as CPA's must be licensed in Washington. WAC 4-30-090.

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.

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 on financial statements 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).

Provided all persons (organizations and individual owners) are licensed in the same profession, Washington permits professional corporations, (e.g. LLC, PLLC, Professional Service Corporation) to be owned by licensed individuals who themselves organize as professional organizations. Frequently, individuals licensed as CPAs neglect to obtain a firm license for their individually owned professional organization member of the larger professional organization.

For example, a group of individually licensed CPAs (A, B, & C) decide to form a Professional Service Corporation (Parent PSC) under the laws of the State of Washington. Prior to filing the charter with the Secretary of State, each individual also forms a separate PSC (PSC X, PSC Y, and PSC Z) owned 100% by the individually licensed CPA. Correctly, the managing licensee of the makes application for and receives a firm license for Parent PSC. However, the individually licensed CPAs fail to obtain firm licenses for their separately owned organizations (PSC X, PSC Y, and PSC Z). Accordingly, the structure is non-compliant with state law and Board rules.

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).

Licensing a firm's main office and branch offices

A firm's main office located in Washington must be under the direct supervision of a resident licensee. WAC 4-30-110(4).

A branch office is an office of a licensed CPA firm which is physically separated from the main office. A branch office operates under the license of the main office. WAC 4-30-110(4).

Notifying the Board of changes in the licensed firm

An individual authorized by the firm must provide the Board written notification and other documentation deemed necessary by the Board within 90 days of any or all of the following occurrences:

- Dissolution of the firm.

- The occurrence of any event that would cause the firm to be in violation of firm licensing rules, including the retirement, lapse, revocation or suspension of the license of a sole proprietor or sole owner of another legal form of organization, for example, a limited liability company (LLC) or professional service corporation (PS) owned by a single person, licensed by the Board for the practice of public accounting, and holding out to the public for the practice of public accounting and/or offering or performing professional services restricted to licensees.
- An event that requires an amendment to a firm license. WAC 4-30-114(3).

Events requiring a firm amendment

An individual authorized by the firm must provide written notification to the Board, by submitting the following information and the appropriate amendment fee, within 90 days of the following:

- Admission or withdrawal of a resident licensee owner.
- Any change in the name of the firm.
- Change in the resident managing licensee of the firm's main office in Washington.
- Change in the resident managing licensee of any branch office of the firm. WAC 4-30-114(4).

Correcting noncompliance

The Board must be notified in writing within 90 days of the first date the firm is not in compliance with the firm's licensure requirements due to changes in firm ownership and propose a time period in which the firm will achieve compliance.

The Board may grant a reasonable period of time for a firm to become compliant. The Board may revoke, suspend, or impose conditions on the firm's license for failure to bring the firm into compliance within the approved period. WAC 4-30-114(5).

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.

A licensee may not renew as a CPA-Inactive certificate holder. CPA-Inactive certificate holders are individuals who held a valid certificate on June 30, 2001, but did not hold a valid Washington State license to practice public accounting on that date. Individuals who did not hold a valid certificate on June 30, 2001 and licensees are not eligible for CPA-Inactive certificate holder status. WAC 4-30-082.

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.

Retiring a license or renewing a license from retirement

If you notify the board that you wish to retire your license or CPA-Inactive certificate prior to the end of your renewal cycle, you may renew your license or CPA-Inactive certificate out of retirement at a later date and are not subject to the requirements of reinstatement. WAC 4-30-122.

To retire a license or CPA-Inactive certificate only requires notice to the Board. It is better to retire a license or CPA-Inactive Certificate, because unlike letting a license or certificate lapse, those who notify the Board are not charged a reinstatement fee if they later chose to renew their license or certificate.

However, you may not use the title CPA or CPA-Inactive or exercise the privileges related to those titles until you renew out of retirement. WAC 4-30-122.

In 2012, the Board amended WAC 4-30-058 to allow the use of the designation "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.

In order to renew a license out of retirement, you must meet the CPE requirements within the 36 month period immediately preceding the date the renewal application is submitted to the Board; however, the four CPE hours in ethics must be completed within the six-month period immediately preceding the date your renewal application is submitted to the Board. WAC 4-30-134(4).

Reinstatement of a revoked or suspended license

If your license or CPA-Inactive certificate was revoked or suspended by the Board, you may not use the title CPA or CPA-Inactive until your license or CPA-Inactive certificate is reinstated by the Board. WAC 4-30-126.

If your registration as a resident nonlicensee firm owner was revoked or suspended by the Board, you may not be a firm owner until your registration is reinstated by the Board. WAC 4-30-126.

You may request that the Board modify the suspension or revocation after three years have elapsed from the effective date of the Board's order revoking or suspending your license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner unless the Board sets some other period by order. However, if you made a previous request with respect to the same order, no additional request will be considered before the lapse of an additional three years following the Board's decision on the last such previous application for reinstatement. WAC 4-30-126.

To request reinstatement, you must provide the Board with certain information either by making application through the Board's on-line application system or on a form provided by the Board upon request. WAC 4-30-126.

To request reinstatement, you must submit to the Board:

- Complete information including your certification that you have:
- For those who wish to reinstate a license or CPA-Inactive certificate: Not used the title CPA during the time in which your license or CPA-Inactive certificate was suspended or revoked; 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 by submitting the documentation to support the CPE claimed.
 - A listing of all states and foreign jurisdictions in which you hold or have applied for a license, CPA-Inactive certificate, permit, or practice privilege under substantial equivalence.
 - All applicable fees.
 - Written substantiation of the reasons constituting good cause for the reinstatement.
 - Two supporting recommendations from licensees who have personal knowledge of your activities since the suspension or revocation were imposed. WAC 4-30-126.

In considering the reinstatement application, the Board may consider all relevant factors, including but not limited to:

- The offense for which you were disciplined.
- Your activities since the disciplinary penalty was imposed.
- Your activities during the time the license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner was in good standing.
- Your rehabilitative efforts.
- Restitution to damaged parties in the matter for which the penalty was imposed.
- Your general reputation for integrity, objectivity, and ethical commitment. WAC 4-30-126.

If the Board decides to consider the merits of your application for reinstatement, in the Board's discretion, a hearing may be held following such procedures as the Board deems suitable for the particular case. If the Board decides that it will not consider the merits of your application for reinstatement, then this constitutes final agency action and there is no further administrative review available to you. As a condition of reinstatement, the Board may impose such terms and conditions as it deems suitable. WAC 4-30-126.

The Board will not consider a request for reinstatement while you are under sentence for any criminal offense, including any period during which you are on court-imposed probation or parole. WAC 4-30-126.

If the Board approves your application, your status will be posted in the Board's licensee database and, therefore, made publicly available for confirmation. A hard copy of your reinstated credential can be provided upon request. WAC 4-30-126.

Your reinstated license, CPA-Inactive certificate, or registration 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, CPA-Inactive certificate, or registration 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 of a license, CPA-Inactive certificate, or registration cannot be utilized for subsequent renewal of your credential. WAC 4-30-126.

You may not use the title CPA or CPA-Inactive or hold an interest in a licensed CPA firm as a resident nonlicensee firm owner until your reinstatement application has been approved. WAC 4-30-126. WAC 4-30-126.

CPA mobility and interstate practice privileges

Practice privileges

Many states have passed the Uniform Accountancy Act. However, even though a model act, it is frequently modified by state legislatures.

One area of past nonconformity is "practice privileges," which allow a CPA to temporarily enter a state to practice public accounting. A practice privilege is not the equivalent of a license, but in many cases this required notification of the appropriate state Board of accountancy and fees.

Failure to do so was an ethical violation, both in the other state as well as Washington. Board rules require a person representing oneself as a CPA must comply with federal and state laws and failure to do so is an act of dishonesty, fraud, and negligence and is a basis for the Board to impose discipline. WAC 4-30-142(5).

As a result of this and the lack of uniformity between states, mobility bills have been enacted now in 49 states and the District of Columbia.

Requirements for individuals

Effective June 12, 2008, an out-of-state individual holding a license from another state is not required to apply and obtain a Washington State license to hold out and practice in Washington State. WAC 4-30-090.

The individual may hold out and practice within Washington State and/or provide public accounting services in person, by mail, telephone, or electronic means to clients residing in Washington State without notice or payment of a fee.

As a condition of this privilege, the out-of-state individual is deemed to have consented to:

- The personal and subject matter jurisdiction and disciplinary authority of this state's Board. WAC 4-30-090(1).
- Comply with the Public Accountancy Act of this state and Board rules. WAC 4-30-090(2).
- The appointment of the state Board which issued the certificate or license as their agent upon whom process may be served in any action or proceeding by this state's Board against the certificate holder or licensee. WAC 4-30-090(3).
- Render the following services for a client with a home office in Washington only through a firm that has obtained a license from this state: any audit or other engagement to be performed in accordance with the statements on auditing standards; any examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements; and any engagement to be performed in accordance with the Public Company Accounting Oversight Board auditing standards. WAC 4-30-090(4).
- Not render any professional services in Washington unless the out-of-state individual is licensed to render such services in the state of licensure upon which the privilege is contingent. WAC 4-30-090(5).
- Cease offering or performing professional services in Washington, individually and/or on behalf of a firm, if the license from the state of the out-of-state individual's principal place of business is no longer valid. WAC 4-30-090(6).
- Cease offering or performing specific professional services in Washington, individually and/or on behalf of a firm, if the license from the state of the out-of-state individual's principal place of business is restricted from offering or performing such specific professional services. WAC 4-30-090(7).

Requirements for firms

Effective June 12, 2008, a firm holding a license from another state must apply and obtain a Washington State license to hold out and practice in Washington State if any of the following criteria apply:

- The firm has an office in Washington and performs attest or compilation services for clients in Washington.
- The firm has an office in Washington and, by any means, represents the firm to the public that the firm is a firm of certified public accountants.
- The firm is licensed in another state and performs the following services for clients with a home office in Washington: any audit or other engagement to be

performed in accordance with the statements on auditing standards; any examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements; and any engagement to be performed in accordance with the Public Company Accounting Oversight Board auditing standards. WAC 4-30-112(1).

A firm license is not required to perform other professional services in Washington, including compilation, review and other services for which reporting requirements are provided in professional standards, if the firm complies with the following:

- The firm performs such services through individuals with practice privileges or reciprocal licenses under Board rules.
- The firm is licensed to perform such services in the state in which the individuals with practice privileges have their principal place of business.
- The firm meets the Board's quality assurance program requirements, when applicable. WAC 4-30-112(2).

As a condition of this privilege, the nonresident firm is deemed to have consented to:

- The personal and subject matter jurisdiction and disciplinary authority of this state's Board. WAC 4-30-112(3).
- Comply with the Public Accountancy Act of this state and this Board's rules. WAC 4-30-112(3).
- Cease offering or rendering professional services in Washington through a specific individual or individuals if the license(s) of the individual(s) through whom the services are offered or rendered becomes invalid. WAC 4-30-112(3).
- Cease offering or rendering specific professional services in Washington through an individual or individuals if the license(s) from the state(s) of the principal place of business of such individual(s) is restricted from offering or performing such specific professional services. WAC 4-30-112(3).
- The appointment of the state Board which issued the firm license as their agent upon whom process may be served in any action or proceeding by this state's Board against firm licensee. WAC 4-30-112(3).
- Not render certain services for a client with a home office in Washington unless the firm that has obtained a license from this state. WAC 4-30-112(3).
- Not render any professional services in Washington through out-of-state individual(s) who are not licensed to render such services by the state(s) in which the principal place of business of such individual(s) is (are) located. WAC 4-30-112(3).

Mobility resources

CPAMobility.org, is a web site jointly created by the National Association of State Boards of Accountancy (NASBA) and the American Institute of CPAs (AICPA) that in four clicks can verify where a CPA can practice, and what else they need to do to become fully mobile.

Firm mobility

In 2014, the Uniform Accountancy Act was amended to allow for firm mobility. When adopted by a state, a firm will not be required to obtain a license in another state as long as it complies with firm ownership and peer review requirements of its home state. If not in compliance, the firm must register as an out-of-state firm in the state in which it renders services. Currently, only 14 states have firm mobility.

Through NASBA, Boards in many states without firm mobility are currently obtaining records from the U.S. Department of Labor on what firms render employee benefit plans in their states, and well as obtaining from the federal government what firms perform OMB A-133 audits in their states. In non-firm mobility states, performing these services without a firm license is a violation of the public accountancy act.

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).

Mandatory peer review

Before January 1, 2013, once every three years the Board required a licensed firm with an office in Washington to participate in the Board's quality assurance review program.

However, because larger firms used peer review rather than the QAR process, most of the firms in the Board's review process were smaller firms that primarily prepared compilations. However, to the extent these firms performed other services subject to

QAR, one of each of these reports was also submitted to the Board as part of the review process.

This led to a high rate of unacceptable reviews, historically about 30%. As a result, effective January 1, 2011, any firm issuing audit reports on financial statements, performance audit reports, or examination reports on internal controls for nonpublic enterprises was required to participate in a Board approved peer review program. And, effective January 1, 2013, all firms offering attest or other selected services must participate in a Board approved peer review program. WAC 4-30-130(2).

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).

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 CPA's

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).

CPA-Inactives

During the three calendar year period prior to renewal, a CPA-Inactive certificate holder or a resident nonlicensee firm owner must complete four CPE credit hours in ethics. WAC 4-30-134(2).

Practice privileges

During the three calendar year period prior to renewal, individuals eligible to exercise practice privileges are exempt from the CPE requirements. WAC 4-30-134(2).

Active military duty

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.

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)

The ethics course must be approved in advance by the Board to qualify. Because some sponsors offer ethics courses not approved by the Board, starting in 2010 the Board required CPA's to disclose on their license renewals the course name, the instructor, and the date taken.

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).

Although renewal information is due to the Washington State Board of Accountancy no later than April 30 of the year of expiration, any requests for extensions of time to obtain CPE must be filed in writing by no later than December 31 of the reporting period.

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).

The Board calls this "Prelapsed Reinstatement." Because the calendar year based reporting period has expired with a CPE deficiency and no extension requested before the end reporting period, without future action, the license will expire as of June 30 of the renewal year.

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).

Graduate and undergraduate programs

A graduate or undergraduate course qualifies for CPE credit if it meets the Board's general standards. For both undergraduate and graduate courses one-quarter credit equals 10 CPE credit hours and one semester credit equals 15 CPE credit hours. WAC 4-30-132(2).

Committee meetings

Generally, CPE credit is not allowed for attending committee meetings. A meeting qualifies for CPE credit only if it meets the general CPE standards. WAC 4-30-132(3).

Washington State Board of Accountancy activities

You may receive up to 64 hours of technical CPE credit each calendar year for actual time spent on Washington State Board of Accountancy, Board committee, or Board approved peer review committee activities. WAC 4-30-132(4).

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).

Instructors, discussion leaders, and speakers

If you serve as an instructor, discussion leader or speaker at a program which meets the general CPE standards, the first time you present the program you may claim CPE credit for both preparation and presentation time. One hour of credit is allowed for each 50 minutes of instruction. Additionally, you may claim credit for actual preparation time up to two times the presentation hours. No credit is allowed for subsequent presentations. A maximum of seventy-two CPE credit hours are allowed for preparation and presentation during each CPE reporting period. WAC 4-30-132(9).

Published articles and books

You may claim CPE credit for published articles and books, provided they contribute to your professional competence. Credit for preparation of such publications may be claimed on a self-declaration basis for up to 30 hours in a CPE reporting period. In

exceptional circumstances, you may request additional credit by submitting the article(s) or book(s) to the Board with an explanation of the circumstances that justify a greater credit. The amount of credit awarded for a given publication will be determined by the Board. WAC 4-30-132(10).

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. WAC 4-30-132(13).

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

During 2014, the Board conducted 155 individual CPE audits. Of the total, 16 failed. One failed to respond, ten failed to complete Washington ethics, and five failed for more than the Washington ethics. Separately, 124 individuals used the "pre-lapsed reinstatement" process during the year.

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).
- (800) 833-6388 (TT service).

- (800) 833-6385 (Telebraille services).
- customerservice@cpaboard.wa.gov (e-mail address).
- www.cpaboard.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(4).

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)& (3).

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 or firm not qualified for practice privileges. 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, as defined in WAC 4-30-010, 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 4-30-142(9).

In the AICPA Code of Conduct, these conflicts may impair independence. Under Board rules they are prohibited regardless of independence. If Board rules conflict with other professional standards, Board rules prevail. WAC 4-30-040.

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 and required to obtain a license 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 a firm not licensed in Washington 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 a licensed firm 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).

While the Board may impose discipline for concealing another's violation of the Public Accountancy Act or Board rules, concealment is a willful act and there is no statute or rule that requires a CPA, who merely has knowledge of another's violation, to report that violation. In other areas of law, such statutes do exist. For example, see RCW 84.36.813, which requires any citizen having knowledge of another's violation of property tax exemption rules to report the violation.

- 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).

Examples of sanctionable acts

In Board Policy 2004-1, the Board describes its investigative policies, considerations, and ranges and types of sanctions for various types of misconduct.

Use of title with lapsed license or use of title by a CPA-Inactive

- License/certificate lapsed because the individual failed to file a license/certificate renewal.
- License/certificate lapsed because the individual failed to notify the Board of a change of address, failed to receive their renewal application, and failed to file a license/certificate renewal.
- The individual disregarded the lapsed license and continued to knowingly hold out with a lapsed license.
- The individual discovered that their license/certificate lapsed and signed the reinstatement application stating that they did not use the title when the evidence demonstrates that they used the title.
- CPA-Inactive who is a corporate CFO uses the CPA title in filing corporate documents with the SEC.
- CPA-Inactive uses the CPA title to obtain a job in private industry.
- CPA-Inactive who is also an attorney uses the CPA title when offering legal services to the public.

Other misconduct

- Theft from employer.
- Felony obstruction of justice.
- Theft of trust funds where the CPA was the trustee.
- Manipulated a client's trust for the benefit of the CPA's child.
- Manipulated a mentally impaired client for self-enrichment.

- Failed to file personal tax returns and pay personal federal income tax.
- Failed to transmit FICA and federal income taxes withheld from employee's salary.
- Failed to pay employer's portion of FICA.
- Provided services to both the seller and the buyer during a business transaction without consent.
- Provided services to both parties during a divorce without consent.
- Failure to make restitution to injured parties as required by Board order.
- Repeated non-compliance with stipulated Board Orders.
- Suspended from practice before the IRS due to substandard tax work.
- SEC practice restriction and/or sanction due to fraudulent SEC filing.
- SEC practice restriction and/or sanction due to substandard accounting practices.

Noncompliance with technical standards

- Attest work is graded as unacceptable by the Board's QAR program.
- CPA is referred to the Board by the SEC due to an audit failure as a result of the CPA performing substandard audit procedures.
- CPA is referred to the Board by HUD due to failure to comply with Yellow Book standards.
- Substandard tax work resulted in penalty to a tax client.

Failure to provide client records

- Refused to return client records until the client paid the CPA's fees.
- Did not return multiple clients' records due to procrastination.
- Did not return client records because the client terminated the relationship and obtained a new CPA.

Acts and omissions in applications for reinstatement or renewal

- Represented on the CPE audit form that CPE courses were obtained when evidence discloses that no or only a portion of the required CPE courses were taken.

- Signed the reinstatement or renewal form under the penalty of perjury that the CPE requirements were met and the individual obtained only a portion of the required hours.
- Signed the reinstatement or renewal form under the penalty of perjury that the CPE ethics requirements were met and the individual did not take the required ethics CPE.

Initial good character determination and cheating on CPA exam

- The applicant was found guilty of a felony 3 years ago.
- The applicant failed to file an income tax return and pay their tax obligation 7 years ago.
- The prosecutor alerting the Board to the applicant's being charged with a felony.
- Cheating observed by the exam proctor.

Use of title or holding out in public practice by a nonCPA

- Used title after passing the exam but without a license.
- Used title to intentionally defraud investors.

Washington State Board of Accountancy enforcement

Board disciplinary actions

Of 15,000 CPA's and 1,000 CPA-Inactives in Washington, few in any given year are the subject of complaints filed with the Washington State Board of Accountancy.

The Board investigates approximately 90 to 150 complaints a year. Most complaints originate from Board programs such as audits of reported CPE and their Quality Assurance Review program for licensed firms, and well as complaints filed by consumers, other CPA's, and referrals from government agencies or other regulators. Complaints result from allegations of technical errors, or ethical or legal violations.

By Board delegation, the Executive Director directs the complaint processes, investigative activities, and case resolution negotiations. When a complaint is filed, the Executive Director makes a preliminary assessment and determines:

- The situation or condition is not within the Board's authority, the Executive Director may dismiss the matter, but a record of the event will be documented and maintained in the Board office in accordance with the agency's approved retention schedule.

- The situation or condition requires further evaluation, the Executive Director assigns the case to a staff or contract investigator. WAC 4-30-140.

Board investigations

Investigations are conducted by the Board's Enforcement Division. Investigations requiring specialized knowledge will be assigned to a technical consultant under contract with the Board.

Upon completion of the investigation, if the Executive Director determines that:

- Sufficient evidence does not exist to merit Board action, the Executive Director may dismiss the case, but a record of the event will be documented and maintained in the Board office in accordance with the agency's approved record retention schedule.
- Sufficient evidence exists to merit Board action and it is the first time an individual or firm is notified of a violation of the Public Accountancy Act or Board rule, the Executive Director may impose administrative sanctions approved by the Board for a first-time offense.
- Sufficient evidence exists to merit Board consideration but the situation or condition, if proven, is not eligible for administrative sanctions, the Executive Director will discuss a resolution strategy and settlement parameters with a Consulting Board member. Once the Executive Director and Consulting Board member agree on those matters, the Executive Director and assigned staff or contract investigator will initiate a discussion for resolution with the respondent. WAC 4-30-140.

Administrative sanctions for first-time offenses

In cases of certain first time administrative sanctions, the Board will assess fines, fees, costs, and other penalties, but the Board will not publish the individual's or firm's name.

Although the individual's or firm's name is not published, a search of the Board's licensee database will reflect a Board Order for that individual or firm, but no details.

- First noncommercial use of a restricted title on business cards, resumes or other applications for employment in Washington state after establishing residency in this state but prior to obtaining credentialed status in Washington State, provided the individual did not use the title while a resident in conjunction with offering or rendering professional services.
- First-time use of a restricted title by an individual within the 18-month period following successful completion of the Uniform CPA Examination but who has not yet been credentialed by the Board.

- First-time use of a restricted title with a lapsed individual license or CPA-Inactive status, provided the individual did not use the CPA or CPA-Inactive title for more than 90 days after the date of transmittal by Board staff of a Notice of Noncompliance.
- First time representation on a reinstatement application that the CPA title had not been used when in fact the title had been used.
- First time failure to obtain a firm license by a Washington resident firm owned by one individual for more than 90 days after the date of transmittal by Board staff of a notice of noncompliance.
- First-time failure to timely change either or both individual and/or firm addresses.
- First-time failure by a firm to timely notify the Board of changes in the firm name, ownership, or managing licensee of the firm's main office after the date of transmittal by Board staff of a Notice of noncompliance.
- First-time CPE deficiency by a licensee, CPA-Inactive certificate holder, or nonCPA firm owner not exceeding 16 hours.
- First-time misunderstanding of courses qualifying for the CPE in regulatory ethics specific to Washington State.
- First-time failure to meet CPE documentation requirements determined by CPE audit provided the documentation deficiency results from a cause or circumstance beyond the control of the credentialed person.
- First-time use of titles likely to be confused with CPA, Certified Public Accountant, or CPA-Inactive by person never credentialed by this Board or not qualified for practice privileges.
- First-time failure to timely deliver records requested by a client as required, unless the lack of "timely delivery" results in financial harm to the client by a state or federal regulatory agency or governmental unit.
- First-time failure to timely respond to a request for administrative information or documents directly related to information and/or documents specified in Board rules.
- First-time Quality Review Program violation, e.g. lack of cooperation with reviewers, failure to comply with peer review program requirements, and/or non-payment of fee for a completed peer review service. Board Policy 2004-1.

Sanctions and fines

If the respondent is amenable to the suggested resolution and terminology of a negotiated proposal, the Executive Director will forward the proposal in the form of a

“Stipulation and Agreed Upon Order” to the respondent for written acceptance. If accepted by the respondent, the proposal will be forwarded to the board for approval. WAC 4-30-140.

Upon receiving and considering the formal settlement proposal, the respondent may offer a counterproposal. The Executive Director and assigned staff or contract investigator will discuss the counterproposal with a Consulting Board member. The Executive Director and Consulting Board member may agree to the counterproposal, offer a counter to the counterproposal, or reject the counterproposal. WAC 4-30-140.

Hearings before the Board

If the Executive Director and Consulting Board member reject the counterproposal or are unable to negotiate what they consider to be an acceptable alternative proposal with the respondent, the Executive Director will execute a statement of charges and refer the case to the assigned prosecuting assistant attorney general with the request that an administrative hearing be scheduled and the case prosecuted. WAC 4-30-140.

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.

Settlement in lieu of a hearing

At the same time that the assigned prosecuting assistant attorney general is preparing the case for prosecution, the assigned prosecuting assistant attorney general, working with the Executive Director and Consulting Board member, will continue to seek a negotiated settlement (consent agreement) in lieu of a Board hearing. If the case goes to hearing before the Board, the assigned prosecuting assistant attorney general, with the concurrence of the Executive Director and Consulting Board member, will present the team's recommended sanction to the Board. WAC 4-30-140.

No proposed negotiated settlement is forwarded to the Board unless the respondent, the Executive Director, Consulting Board member and, when appropriate, the assigned prosecuting assistant attorney general concur that the proposal is an acceptable resolution to the matter. WAC 4-30-140.

If the participants in the negotiation concur with the negotiated resolution and terminology of the agreement, a proposed consent agreement is to be signed by the respondent, and signed by the assigned prosecuting assistant attorney general if the settlement was negotiated by the assigned prosecuting assistant attorney general, and forwarded to the Board members, along with the Executive Director’s, Consulting

Board member's and, when appropriate, assigned prosecuting assistant attorney general's recommendation to accept the proposal for consideration. WAC 4-30-140.

The Board is not bound by this recommendation. WAC 4-30-140.

All proposed consent agreements must be approved by a majority vote of the Board. Five "no" votes mean the proposed settlement has been rejected by the Board. In such circumstances, the case will return to the Executive Director, Consulting Board member, and assigned prosecuting assistant attorney general who will determine whether the situation merits additional attempts to negotiate a settlement or to immediately schedule the matter for an administrative hearing before the Board. WAC 4-30-140.

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

Specific cases and CPA's subject to Board orders and sanctions are published on the Board's website at www.cpaboard.wa.gov.

The Board will post notice of Board orders for suspension, stayed suspension, revocation, and practice restriction on the Board's web site for approximately three years following the year of the Board order.

In addition, for license and certificate suspension (including stayed suspension) and revocation:

- Notice will be posted in the Daily Journal of Commerce.
- Notice will be provided to the AICPA and WSCPA.
- Notice will be posted to NASBA's Enforcement Information Exchange (EIX).
- Representative(s)/Senator(s) for the respondent's location(s) will be notified.
- Other jurisdictions that have licensed the individual will be notified.
- The complainant(s) will be notified.
- Notice will be sent to the newspaper(s) in the respondent's location.

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.cpaboard.wa.gov.

Electronic news from the Board of Accountancy

The Washington State Board of Accountancy maintains a free subscription service to electronic news about its activities. Registration is free and is available on the Board's website at www.cpaboard.wa.gov.

Public database of licensed individuals and firms

The Board of Accountancy provides a free database of licensed individuals and firms, as well as a list of lapsed licenses on its website.

Public database of sanctions and Board orders

The Board publishes sanctions and other Board orders on its website under "Investigations."

WSCPA Professional Conduct Committee

The WSCPA Professional Conduct Committee assists WSCPA members with questions on professional ethical matters. They generally do not answer questions, but do provide guidance on where answers can be found. Members can contact Julie Phipps at Jphipps@wscpa.org or call 425-586-1132 to start the process.

Appendix: Washington Accountancy Act

RCW 18.04.015 Purpose

(1) It is the policy of this state and the purpose of this chapter:

(a) To promote 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; and

(b) To protect the public interest by requiring that:

(i) Persons who hold themselves out as licensees or certificate holders conduct themselves in a competent, ethical, and professional manner;

(ii) 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;

(iii) Persons other than licensees refrain from using the words "audit," "review," and "compilation" when designating a report customarily prepared by someone knowledgeable in accounting;

(iv) A public authority be established to provide for consumer alerts and public protection information to be published regarding persons or firms who violate the provisions of chapter 294, Laws of 2001 or board rule and to provide general consumer protection information to the public; and

(v) The use of accounting titles likely to confuse the public be prohibited.

(2) The purpose of chapter 294, Laws of 2001 is to make revisions to chapter 234, Laws of 1983 and chapter 103, Laws of 1992 to: Fortify the public protection provisions of chapter 294, Laws of 2001; establish one set of qualifications to be a licensee; revise the regulations of certified public accountants; make revisions in the ownership of certified public accounting firms; assure to the greatest extent possible that certified public accountants from Washington State are substantially equivalent with certified public accountants in other states and can therefore perform the duties of certified public accountants in as many states and countries as possible; assure certified public accountants from other states and countries have met qualifications that are substantially equivalent to the certified public accountant qualifications of this state; and clarify the authority of the board of accountancy with respect to the activities of persons holding licenses and certificates under this chapter. It is not the intent of chapter 294, Laws of 2001 to in any way restrict or limit the activities of persons not holding licenses or certificates under this chapter except as otherwise specifically restricted or limited by chapter 234, Laws of 1983 and chapter 103, Laws of 1992.

(3) A purpose of chapter 103, Laws of 1992, revising provisions of chapter 234, Laws of 1983, is to clarify the authority of the board of accountancy with respect to the activities of persons holding certificates under this chapter. Furthermore, it is not the intent of chapter 103, Laws of 1992 to in any way restrict or limit the activities of persons not holding certificates under this chapter except as otherwise specifically restricted or limited by chapter 234, Laws of 1983. [2004 c159 § 2; 2001 c 294 § 1; 1992 c 103 § 1; 1983 c 234 § 2.]

RCW 18.04.025 Definitions

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

(1) "Attest" means providing the following financial statement services:

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

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

(c) Any examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements; and

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

(2) "Board" means the board of accountancy created by RCW 18.04.035.

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

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

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

(6) "Compilation" means providing a service to be performed in accordance with statements 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.

(7) "CPE" means continuing professional education.

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

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

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

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

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

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

(14) "Licensee" means the holder of a license to practice public accountancy issued under this chapter.

(15) "Manager" means a manager of a limited liability company licensed as a firm under this chapter.

(16) "NASBA" means the national association of state boards of accountancy.

(17) "Peer review" means a study, appraisal, or review of one or more aspects of the attest or compilation work of a licensee or licensed firm in the practice of public accountancy, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed, including a peer review, or any internal review or inspection intended to comply with quality control policies and procedures, but not including the "quality assurance review" under subsection (21) of this section.

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

(19) "Practice of public accounting" means performing or offering to perform by a person or firm holding itself out to the public as a licensee, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of "audit reports," "review reports," or "compilation reports" on financial statements, or one or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters. "Practice of public accounting" shall not include practices that are permitted under the provisions of RCW 18.04.350(10) by persons or firms not required to be licensed

under this chapter.

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

(21) "Quality assurance review" means a process established by and conducted at the direction of the board of study, appraisal, or review of one or more aspects of the attest or compilation work of a licensee or licensed firm in the practice of public accountancy, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed.

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

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

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

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

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

[2008 c 16 § 2; 2001 c 294 § 2; 1999 c 378 § 1; 1994 c 211 § 1401; 1992 c 103 § 2; 1986 c 295 § 1; 1983 c 234 § 3.]

RCW 18.04.035 Board of accountancy--Members--Terms--Vacancies--Removal

(1) There is created a board of accountancy for the state of Washington to be known as the Washington State board of accountancy. Effective June 30, 2001, the board shall consist of nine members appointed by the governor. Members of the board shall include six persons who have been licensed in this state continuously for the previous ten years. Three members shall be public members qualified to judge whether the qualifications, activities, and professional practice of those regulated

under this chapter conform with standards to protect the public interest, including one public member qualified to represent the interests of clients of individuals and firms licensed under this chapter.

(2) The members of the board shall be appointed by the governor to a term of three years. Vacancies occurring during a term shall be filled by appointment for the unexpired term. Upon the expiration of a member's term of office, the member shall continue to serve until a successor has been appointed and has assumed office. The governor shall remove from the board any member whose license to practice has been revoked or suspended and may, after hearing, remove any member of the board for neglect of duty or other just cause. No person who has served three successive complete terms is eligible for reappointment. Appointment to fill an unexpired term is not considered a complete term. In order to stagger their terms, of the two new appointments made to the board upon June 11, 1992, the first appointed member shall serve a term of two years initially. [2004 c159 § 1; 2001 c 294 § 3; 1992 c 103 § 3; 1986 c 295 § 2; 1983 c 234 § 4.]

RCW 18.04.045 Board--Officers and staff--Powers and duties

- (1) The board shall annually elect a chair, a vice-chair, and a secretary from its members.
- (2) A majority of the board constitutes a quorum for the transaction of business.
- (3) The board shall have a seal which shall be judicially noticed.
- (4) The board shall keep records of its proceedings, and of any proceeding in court arising from or founded upon this chapter. Copies of these records certified as correct under the seal of the board are admissible in evidence as tending to prove the content of the records.
- (5) The governor shall appoint an executive director of the board, who shall serve at the pleasure of the governor. The executive director may employ such personnel as is appropriate for carrying out the purposes of this chapter. The executive director shall hold a valid Washington license. The board may arrange for such volunteer assistance as it requires to perform its duties. Individuals or committees assisting the board constitute volunteers for purposes of chapter 4.92 RCW.
- (6) The board shall file an annual report of its activities with the governor. The report shall include, but not be limited to, a statement of all receipts and disbursements. Upon request, the board shall mail a copy of each annual report to any member of the public.
- (7) In making investigations concerning alleged violations of the provisions of this chapter and in all proceedings under RCW 18.04.295 or chapter 34.05 RCW, the board chair, or a member of the board, or a board designee acting in the chair's place, may administer oaths or affirmations to witnesses appearing before the board, subpoena witnesses and compel their attendance, take testimony, and require that documentary evidence be submitted.

(8) The board may review the publicly available professional work of licensees on a general and random basis, without any requirement of a formal complaint or suspicion of impropriety on the part of any particular licensee. If as a result of such review the board discovers reasonable grounds for a more specific investigation, the board may proceed under its investigative and disciplinary rules.

(9) The board may provide for consumer alerts and public protection information to be published regarding persons or firms who violate the provisions of this chapter or board rule and may provide general consumer protection information to the public.

(10) As provided in RCW 18.04.370, the board may enter into stipulated agreements and orders of assurance with persons who have violated the provisions of RCW 18.04.345 or certify the facts to the prosecuting attorney of the county in which such person resides for criminal prosecution. [2001 c 294 § 4; 1992 c 103 § 4; 1986 c 295 § 3; 1983 c 234 § 5.]

RCW 18.04.055 Board--Rules

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

- (1) Rules of procedure to govern the conduct of matters before the board;
- (2) Rules of professional conduct for all licensees, certificate holders, and nonlicensee owners of licensed firms, in order to establish and maintain high standards of competence and ethics including rules dealing with independence, integrity, objectivity, and freedom from conflicts of interest;
- (3) Rules specifying actions and circumstances deemed to constitute holding oneself out as a licensee in connection with the practice of public accountancy;
- (4) Rules specifying the manner and circumstances of the use of the titles "certified public accountant" and "CPA," by holders of certificates who do not also hold licenses under this chapter;
- (5) Rules specifying the educational requirements to take the certified public accountant examination;
- (6) Rules designed to ensure that licensees' "reports on financial statements" meet the definitional requirements for that term as specified in RCW 18.04.025;
- (7) Requirements for CPE to maintain or improve the professional competence of licensees as a condition to maintaining their license and certificate holders as a condition to maintaining their certificate under RCW 18.04.215;
- (8) Rules governing firms issuing or offering to issue reports on financial statements or using the title "certified public accountant" or "CPA" including, but not limited to, rules concerning their style, name, title, and affiliation with any other organization, and establishing reasonable practice and ethical standards to protect the public interest;

(9) The board may by rule implement a quality assurance review program as a means to monitor licensees' quality of practice and compliance with professional standards. The board may exempt from such program, licensees who undergo periodic peer reviews in programs of the American Institute of Certified Public Accountants, NASBA, or other programs recognized and approved by the board;

(10) The board may by rule require licensed firms to obtain professional liability insurance if in the board's discretion such insurance provides additional and necessary protection for the public;

(11) Rules specifying the experience requirements in order to qualify for a license;

(12) Rules specifying the requirements for certificate holders to qualify for a license under this chapter which must include provisions for meeting CPE and experience requirements prior to application for licensure;

(13) Rules specifying the registration requirements, including ethics examination and fee requirements, for resident nonlicensee partners, shareholders, and managers of licensed firms;

(14) Rules specifying the ethics CPE requirements for certificate holders and owners of licensed firms, including the process for reporting compliance with those requirements;

(15) Rules specifying the experience and CPE requirements for licensees offering or issuing reports on financial statements; and

(16) Any other rule which the board finds necessary or appropriate to implement this chapter. [2001 c 294 § 5; 1992 c 103 § 5; 1986 c 295 § 4; 1983 c 234 § 6.]

RCW 18.04.065 Board--Fees--Disposition

The board shall set its fees at a level adequate to pay the costs of administering this chapter. All fees for licenses, registrations of nonlicensee partners, shareholders, and managers of licensed firms, renewals of licenses, renewals of registrations of nonlicensee partners, shareholders, and managers of licensed firms, renewals of certificates, reinstatements of lapsed licenses, reinstatements of lapsed certificates, reinstatements of lapsed registrations of nonlicensee partners, shareholders, and managers of licensed firms, practice privileges under RCW 18.04.350, and delinquent filings received under the authority of this chapter shall be deposited in the certified public accountants' account created by RCW 18.04.105. Appropriation from such account shall be made only for the cost of administering the provisions of this chapter. [2001 c 294 § 6; 1992 c 103 § 6; 1983 c 234 § 24.]

RCW 18.04.080 Compensation and travel expenses of members

Each member of the board shall be compensated in accordance with RCW 43.03.240 and shall be reimbursed for travel expenses incurred in the discharge of such duties in accordance with RCW 43.03.050 and 43.03.060.

RCW 18.04.105 Issuance of license--Requirements-- Examination-- Fees--Certified public accountants' account--Valid certificates previously issued under chapter--Continuing professional education--Inactive certificates

(1) A license to practice public accounting shall be granted by the board to any person:

(a) Who is of good character. Good character, for purposes of this section, means lack of a history of dishonest or felonious acts. The board may refuse to grant a license on the ground of failure to satisfy this requirement only if there is a substantial connection between the lack of good character of the applicant and the professional and ethical responsibilities of a licensee and if the finding by the board of lack of good character is supported by a preponderance of evidence. When an applicant is found to be unqualified for a license because of a lack of good character, the board shall furnish the applicant a statement containing the findings of the board and a notice of the applicant's right of appeal;

(b) Who has met the educational standards established by rule as the board determines to be appropriate;

(c) Who has passed an examination;

(d) Who has had one year of experience which is gained:

(i) Through the use of accounting, issuing reports on financial statements, management advisory, financial advisory, tax, tax advisory, or consulting skills;

(ii) While employed in government, industry, academia, or public practice; and

(iii) Meeting the competency requirements in a manner as determined by the board to be appropriate and established by board rule; and

(e) Who has paid appropriate fees as established by rule by the board.

(2) The examination described in subsection (1)(c) of this section shall test the applicant's knowledge of the subjects of accounting and auditing, and other related fields the board may specify by rule. The time for holding the examination is fixed by the board and may be changed from time to time. The board shall prescribe by rule the methods of applying for and taking the examination, including methods for grading examinations and determining a passing grade required of an applicant for a license. The board shall to the extent possible see to it that the grading of the examination, and the passing grades, are uniform with those applicable to all other states. The

board may make use of all or a part of the uniform certified public accountant examination and advisory grading service of the American Institute of Certified Public Accountants and may contract with third parties to perform administrative services with respect to the examination as the board deems appropriate to assist it in performing its duties under this chapter. The board shall establish by rule provisions for transitioning to a new examination structure or to a new media for administering the examination.

(3) The board shall charge each applicant an examination fee for the initial examination or for reexamination. The applicable fee shall be paid by the person at the time he or she applies for examination, reexamination, or evaluation of educational qualifications. Fees for examination, reexamination, or evaluation of educational qualifications shall be determined by the board under chapter 18.04 RCW. There is established in the state treasury an account to be known as the certified public accountants' account. All fees received from candidates to take any or all sections of the certified public accountant examination shall be used only for costs related to the examination.

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

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

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

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

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

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

(5) Certificate holders shall comply with the prohibition against the practice of public accounting in RCW 18.04.345.

(6) Persons who on June 30, 2001, held valid certificates previously issued under this chapter are deemed to hold inactive certificates, subject to renewal as inactive certificates, until they have petitioned the board to become licensees and have met the requirements of subsection (4) of this section. No individual who did not hold a valid certificate before July 1, 2001, is eligible to obtain an inactive certificate.

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

(8) Persons holding an inactive certificate:

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

(b) Are prohibited from practicing public accounting. [2001 c 294 § 7; 2000 c 171 § 2; 1999 c 378 § 2; 1992 c 103 § 7; 1991 sp.s. c 13 § 20; 1986 c 295 § 6; 1985 c 57 § 3; 1983 c 234 § 7.]

RCW 18.04.180 Reciprocity

(1) The board shall issue a license to a holder of a certificate/valid license issued by another state that entitles the holder to practice public accountancy, provided that:

(a) Such state makes similar provision to grant reciprocity to a holder of a valid certificate or license in this state;

(b) The applicant meets the CPE requirements of RCW 18.04.215(5);

(c) The applicant meets the good character requirements of RCW 18.04.105(1)(a); and

(d) The applicant passed the examination required for issuance of his or her certificate or license with grades that would have been passing grades at that time in this state and meets all current requirements in this state for issuance of a license at the time application is made; or at the time of the issuance of the applicant's license in the other state, met all the requirements then applicable in this state; or has three years of experience within the five years immediately preceding application or had five years of experience within the ten years immediately preceding application in the practice of public accountancy that meets the requirements prescribed by the board.

(2) The board may accept NASBA's designation of the applicant as substantially equivalent to national standards as meeting the requirement of subsection (1)(d) of this section.

(3) A licensee who has been granted a license under the reciprocity provisions of this section shall notify the board within thirty days if the license or certificate issued in the other jurisdiction has lapsed or if the status of the license or certificate issued in the other jurisdiction becomes otherwise invalid. [2004 c159 § 3; 2001 c 294 § 8; 1992 c 103 § 8; 1949 c 226 § 17; Rem. Supp. 1949 § 8269-24.]

RCW 18.04.183 Accountants from foreign countries

The board shall grant a license as a certified public accountant to a holder of a permit, license, or certificate issued by a foreign country's board, agency, or institute, provided that:

(1) The foreign country where the foreign permit, license, or certificate was issued is a party to an agreement on trade with the United States that encourages the mutual recognition of licensing and certification requirements for the provision of covered services by the parties under the trade agreement;

(2) Such foreign country's board, agency, or institute makes similar provision to allow a person who holds a valid license issued by this state to obtain such foreign country's comparable permit, license, or certificate;

(3) The foreign permit, license, or certificate:

(a) Was duly issued by such foreign country's board, agency, or institute that regulates the practice of public accountancy; and

(b) Is in good standing at the time of the application; and

(c) Was issued upon the basis of educational, examination, experience, and ethical requirements substantially equivalent currently or at the time of issuance of the foreign permit, license, or certificate to those in this state;

(4) The applicant has within the thirty-six months prior to application completed an accumulation of one hundred twenty hours of CPE as required under RCW 18.04.215(5). The board shall provide for transition from existing to new CPE requirements;

(5) The applicant's foreign permit, license, or certificate was the type of permit, license, or certificate requiring the most stringent qualifications if, in the foreign country, more than one type of permit, license, or certificate is issued. This state's board shall decide which are the most stringent qualifications;

(6) The applicant has passed a written examination or its equivalent, approved by the board, that tests knowledge in the areas of United States accounting principles, auditing standards, commercial law, income tax law, and Washington State rules of professional ethics; and

(7) The applicant has within the eight years prior to applying for a license under this section, demonstrated, in accordance with the rules issued by the board, one year of public accounting experience, within the foreign country where the foreign permit, license, or certificate was issued, equivalent to the experience required under RCW 18.04.105(1)(d) or such other experience or employment which the board in its discretion regards as substantially equivalent.

The board may adopt by rule new CPE standards that differ from those in subsection (4) of this section or RCW 18.04.215 if the new standards are consistent with the CPE standards of other states so as to provide to the greatest extent possible, consistent national standards.

A licensee who has been granted a license under the reciprocity provisions of this section shall notify the board within thirty days if the permit, license, or certificate issued in the other jurisdiction has lapsed or if the status of the permit, license, or certificate issued in the other jurisdiction becomes otherwise invalid. [2001 c 294 § 9; 1999 c 378 § 3; 1992 c 103 § 18.]

RCW 18.04.185 Application for license--Secretary of state agent for service of process

Application for a license to practice public accounting in this state by a certified public accountant or CPA firm who holds a license or permit to practice issued by another state constitutes the appointment of the secretary of state as an agent for service of process in any action or proceeding against the applicant arising from any transaction or operation connected with or incidental to the practice of public accounting in this state by the holder of the license to practice. [2001 c 294 § 10; 1999 c 378 § 4; 1986 c 295 § 7; 1983 c 234 § 8.]

RCW 18.04.195 License required--Requirements--Application--Fees

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

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

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

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

(iii) Any firm that does not have an office in this state but performs attest services described in RCW 18.04.025(1) (a), (c), or (d) for a client having its home office in this state.

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

(i) The firm performs such services through an individual with practice privileges under RCW 18.04.350(2);

(ii) The firm can lawfully do so in the state where said individuals with practice privileges have their principal place of business; and

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

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

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

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

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

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

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

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

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

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

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

requirements:

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

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

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

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

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

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

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

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

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

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

this chapter or issued by another state; and

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

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

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

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

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

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

(11) Nonlicensee owners of licensed firms are:

(a) Required to fully comply with the provisions of this chapter and board rules;

(b) Required to be an individual;

(c) Required to be an active individual participant in the licensed firm or affiliated entities as these terms are defined by board rule; and

(d) Subject to discipline by the board for violation of this chapter.

(12) Resident nonlicensee owners of licensed firms are required to meet:

(a) The ethics examination, registration, and fee requirements as established by the board rules; and

(b) The ethics CPE requirements established by the board rules.

(13)(a) Licensed firms must notify the board within thirty days after:

(i) Sanction, suspension, revocation, or modification of their professional license or practice rights by the securities exchange commission, internal revenue service, or another state board of accountancy;

(ii) Sanction or order against the licensee or nonlicensee firm owner by any federal or other state agency related to the licensee's practice of public accounting or violation of ethical or technical standards established by board rule; or

(iii) The licensed firm is notified that it has been charged with a violation of law that could result in the suspension or revocation of the firm's license by a federal or other state agency, as identified by board rule, related to the firm's professional license, practice rights, or violation of ethical or technical standards established by board rule.

(b) The board must adopt rules to implement this subsection and may also adopt rules specifying requirements for licensees to report to the board sanctions or orders relating to the licensee's practice of public accounting or violation of ethical or technical standards entered against the licensee by a nongovernmental professionally related standard-setting entity.

[2008 c 16 § 3; 2003 c 290 § 1; 2001 c 294 § 11; 1999 c 378 § 5; 1994 c 211 § 1402; 1986 c 295 § 8; 1983 c 234 § 9.]

RCW 18.04.205 Registration of offices--Requirements--Rules--Fees

(1) Each office established or maintained in this state for the purpose of offering to issue or issuing attest or compilation reports in this state or that uses the title "certified public accountant" or "CPA," shall register with the board under this chapter every three years.

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

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

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

[2008 c 16 § 4; 2001 c 294 § 12; 1999 c 378 § 6; 1992 c 103 § 9; 1986 c 295 § 9; 1983 c 234 § 10.]

RCW 18.04.215 Licenses--Issuance--Renewal and reinstatement--Continuing professional education--Fees

(1) Three-year licenses shall be issued by the board:

(a) To persons meeting the requirements of RCW 18.04.105(1), 18.04.180, or 18.04.183.

(b) To certificate holders meeting the requirements of RCW 18.04.105(4).

(c) To firms under RCW 18.04.195, meeting the requirements of RCW 18.04.205.

(2) The board shall, by rule, provide for a system of certificate and license renewal and reinstatement. Applicants for renewal or reinstatement shall, at the time of filing their applications, list with the board all states and foreign jurisdictions in which they hold or have applied for certificates, permits or licenses to practice.

(3) An inactive certificate is renewed every three years with renewal subject to the requirements of ethics CPE and the payment of fees, prescribed by the board. Failure to renew the inactive certificate shall cause the inactive certificate to lapse and be subject to reinstatement. The board shall adopt rules providing for fees and procedures for renewal and reinstatement of inactive certificates.

(4) A license is issued every three years with renewal subject to requirements of CPE and payment of fees, prescribed by the board. Failure to renew the license shall cause the license to lapse and become subject to reinstatement. Persons holding a lapsed license are prohibited from using the title "CPA" or "certified public accountant." Persons holding a lapsed license are prohibited from practicing public accountancy. The board shall adopt rules providing for fees and procedures for issuance, renewal, and reinstatement of licenses.

(5) The board shall adopt rules providing for CPE for licensees and certificate holders. The rules shall:

(a) Provide that a licensee shall verify to the board that he or she has completed at least an accumulation of one hundred twenty hours of CPE during the last three-year period to maintain the license;

(b) Establish CPE requirements; and

(c) Establish when new licensees shall verify that they have completed the required CPE.

(6) A certified public accountant who holds a license issued by another state, and applies for a license in this state, may practice in this state from the date of filing a

completed application with the board, until the board has acted upon the application provided the application is made prior to holding out as a certified public accountant in this state and no sanctions or investigations, deemed by the board to be pertinent to public accountancy, by other jurisdictions or agencies are in process.

(7) A licensee shall submit to the board satisfactory proof of having completed an accumulation of one hundred twenty hours of CPE recognized and approved by the board during the preceding three years. Failure to furnish this evidence as required shall make the license lapse and subject to reinstatement procedures, unless the board determines the failure to have been due to retirement or reasonable cause.

The board in its discretion may renew a certificate or license despite failure to furnish evidence of compliance with requirements of CPE upon condition that the applicant follow a particular program of CPE. In issuing rules and individual orders with respect to CPE requirements, the board, among other considerations, may rely upon guidelines and pronouncements of recognized educational and professional associations, may prescribe course content, duration, and organization, and may take into account the accessibility of CPE to licensees and certificate holders and instances of individual hardship.

(8) Fees for renewal or reinstatement of certificates and licenses in this state shall be determined by the board under this chapter. Fees shall be paid by the applicant at the time the application form is filed with the board. The board, by rule, may provide for proration of fees for licenses or certificates issued between normal renewal dates.

(9) (a) Licensees, certificate holders, and nonlicensee owners must notify the board within thirty days after:

(i) Sanction, suspension, revocation, or modification of their professional license or practice rights by the securities exchange commission, internal revenue service, or another state board of accountancy;

(ii) Sanction or order against the licensee, certificate holder, or nonlicensee owner by any federal or other state agency related to the licensee's practice of public accounting or the licensee's, certificate holder's, or nonlicensee owner's violation of ethical or technical standards established by board rule; or

(iii) The licensee, certificate holder, or nonlicensee owner is notified that he or she has been charged with a violation of law that could result in the suspension or revocation of a license or certificate by a federal or other state agency, as identified by board rule, related to the licensee's, certificate holder's, or nonlicensee owner's professional license, practice rights, or violation of ethical or technical standards established by board rule.

(b) The board must adopt rules to implement this subsection and may also adopt rules specifying requirements for licensees, certificate holders, and nonlicensee owners to report to the board sanctions or orders relating to the licensee's practice of public accounting or the licensee's, certificate holder's, or nonlicensee owner's violation of

ethical or technical standards entered against the licensee, certificate holder, or nonlicensee owner by a nongovernmental professionally related standard-setting entity.

RCW 18.04.295 Actions against CPA license

The board shall have the power to: Revoke, suspend, or refuse to issue, renew, or reinstate a license or certificate; impose a fine in an amount not to exceed thirty thousand dollars plus the board's investigative and legal costs in bringing charges against a certified public accountant, a certificate holder, a licensee, a licensed firm, an applicant, a non-CPA violating the provisions of RCW 18.04.345, or a nonlicensee holding an ownership interest in a licensed firm; may impose full restitution to injured parties; may impose conditions precedent to renewal of a certificate or a license; or may prohibit a nonlicensee from holding an ownership interest in a licensed firm, for any of the following causes:

- (1) Fraud or deceit in obtaining a license, or in any filings with the board;
- (2) Dishonesty, fraud, or negligence while representing oneself as a nonlicensee owner holding an ownership interest in a licensed firm, a licensee, or a certificate holder;
- (3) A violation of any provision of this chapter;
- (4) A violation of a rule of professional conduct promulgated by the board under the authority granted by this chapter;
- (5) Conviction of a crime or an act constituting a crime under:
 - (a) The laws of this state;
 - (b) The laws of another state, and which, if committed within this state, would have constituted a crime under the laws of this state; or
 - (c) Federal law;
- (6) Cancellation, revocation, suspension, or refusal to renew the authority to practice as a certified public accountant by any other state for any cause other than failure to pay a fee or to meet the requirements of CPE in the other state;
- (7) Suspension or revocation of the right to practice matters relating to public accounting before any state or federal agency;

For purposes of subsections (6) and (7) of this section, a certified copy of such revocation, suspension, or refusal to renew shall be prima facie evidence;

- (8) Failure to maintain compliance with the requirements for issuance, renewal, or reinstatement of a certificate or license, or to report changes to the board;

- (9) Failure to cooperate with the board by:
 - (a) Failure to furnish any papers or documents requested or ordered by the board;
 - (b) Failure to furnish in writing a full and complete explanation covering the matter contained in the complaint filed with the board or the inquiry of the board;
 - (c) Failure to respond to subpoenas issued by the board, whether or not the recipient of the subpoena is the accused in the proceeding;
- (10) Failure by a nonlicensee owner of a licensed firm to comply with the requirements of this chapter or board rule; and
- (11) Failure to comply with an order of the board.

RCW 18.04.305 Actions against firm license

The board may revoke, suspend, or refuse to renew the license issued to a firm if at any time the firm does not meet the requirements of this chapter for licensing, or for any of the causes enumerated in RCW 18.04.295, or for any of the following additional causes:

- (1) The revocation or suspension of the sole-practitioner's license or the revocation or suspension or refusal to renew the license of any partner, manager, member, or shareholder;
- (2) The revocation, suspension, or refusal to renew the license of the firm, or any partner, manager, member, or shareholder thereof, to practice public accounting in any other state or foreign jurisdiction for any cause other than failure to pay a fee or to meet the CPE requirements of the other state or foreign jurisdiction;
- (3) Failure by a nonlicensee owner of a licensed firm to comply with the requirements of this chapter or board rule; or
- (4) Failure of the firm to comply with the requirements of this chapter or board rule. [2001 c 294 § 15; 1992 c 103 § 12; 1986 c 295 § 12; 1983 c 234 § 13.]

RCW 18.04.320 Actions against license—Procedures

In the case of the refusal, revocation, or suspension of a certificate or a license by the board under the provisions of this chapter, such proceedings and any appeal therefrom shall be taken in accordance with the administrative procedure act, chapter 34.05 RCW. [1986 c 295 § 13; 1983 c 234 § 14; 1949 c 226 § 31; Rem. Supp. 1949 § 8269-38.]

RCW 18.04.335 Reissuance or modification of suspension of license or certificate

(1) Upon application in writing and after hearing pursuant to notice, the board may:

(a) Modify the suspension of, or reissue a certificate or a license to, an individual whose certificate or license has been revoked or suspended; or

(b) Modify the suspension of, or reissue a license to a firm whose license has been revoked, suspended, or which the board has refused to renew.

(2) In the case of suspension for failure to comply with a support order under chapter 74.20A RCW, if the person has continued to meet all other requirements for reinstatement during the suspension, reissuance of a certificate or a license shall be automatic upon the board's receipt of a release issued by the department of social and health services stating that the individual is in compliance with the order. [2001 c 294 § 16; 1997 c 58 § 812; 1992 c 103 § 13; 1986 c 295 § 14; 1983 c 234 § 15.]

RCW 18.04.345 Prohibited practices

(1) No individual may assume or use the designation "certified public accountant-inactive" or "CPA-inactive" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the individual is a certified public accountant-inactive or CPA-inactive unless the individual holds a certificate. Individuals holding only a certificate may not practice public accounting.

(2) No individual may hold himself or herself out to the public or assume or use the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the individual is a certified public accountant or CPA unless the individual qualifies for the privileges authorized by RCW 18.04.350(2) or holds a license under RCW 18.04.105 and 18.04.215.

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

(4) No firm may perform the services defined in RCW 18.04.025(21) (a), (c), or (d) for a client with its home office in this state unless the firm is licensed under RCW 18.04.195, renews the firm license as required under RCW 18.04.215, and all offices of the firm in this state are maintained and registered under RCW 18.04.205.

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

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

(7) No individual with an office in this state may sign, affix, or associate his or her name or any trade or assumed name used by the individual in his or her business to any report prescribed by professional standards unless the individual holds a license to practice under RCW 18.04.105 and 18.04.215, a firm holds a license under RCW 18.04.195, and all of the individual's offices in this state are registered under RCW 18.04.205.

(8) No individual licensed in another state may sign, affix, or associate a firm name to any report prescribed by professional standards, or associate a firm name in conjunction with the title certified public accountant, unless the individual:

(a) Qualifies for the practice privileges authorized by RCW 18.04.350(2); or

(b) Is licensed under RCW 18.04.105 and 18.04.215, and all of the individual's offices in this state are maintained and registered under RCW 18.04.205.

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

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

(11) Notwithstanding anything to the contrary in this section, it is not a violation of this section for a firm that does not hold a valid license under RCW 18.04.195 and that does not have an office in this state to provide its professional services in this state so long as it complies with the requirements of RCW 18.04.195(1)(b).

[2008 c 16 § 5; 2001 c 294 § 17; 1999 c 378 § 8; 1992 c 103 § 14; 1986 c 295 § 15; 1983 c 234 § 16.]

RCW 18.04.350 Practices not prohibited

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

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

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

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

(ii) Achieve a passing grade on the uniform certified public accountant examination; and

(iii) Possess at least one year of experience including service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills, all of which was verified by a licensee; or

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

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

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

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

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

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

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

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

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

(b) Any examination of prospective financial information to be performed in accordance with statements on standards for attestation engagements; or

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

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

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

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

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

(a) From affixing his or her signature to any statement or report in reference to the

affairs of the organization with any wording designating the position, title, or office which he or she holds in the organization; or

(b) From describing himself or herself by the position, title, or office he or she holds in such organization.

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

(11) Nothing in this chapter prohibits any act of or the use of any words by a public official or a public employee in the performance of his or her duties.

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

(13) Nothing in this chapter prohibits the use of the title "accountant" by any person regardless of whether the person has been granted a certificate or holds a license under this chapter. Nothing in this chapter prohibits the use of the title "enrolled agent" or the designation "EA" by any person regardless of whether the person has been granted a certificate or holds a license under this chapter if the person is properly authorized at the time of use to use the title or designation by the United States department of the treasury. The board shall by rule allow the use of other titles by any person regardless of whether the person has been granted a certificate or holds a license under this chapter if the person using the titles or designations is authorized at the time of use by a nationally recognized entity sanctioning the use of board authorized titles.
[2008 c 16 § 6; 2001 c 294 § 18; 1992 c 103 § 15; 1986 c 295 § 16; 1983 c 234 § 17; 1969 c 114 § 7; 1949 c 226 § 34; Rem. Supp. 1949 § 8269-41.]

RCW 18.04.360 Practices may be enjoined

If, in the judgment of the board any person has engaged, or is about to engage, in any acts or practices which constitute, or will constitute, a violation of this chapter, the board may make application to the appropriate court for an order enjoining such acts or practices and upon a showing by the board that such person has engaged, or is about to engage, in any such acts or practices, an injunction, restraining order, or such other order as may be appropriate may be granted by such court. [1983 c 234 § 18; 1949 c 226 § 35; Rem. Supp. 1949 §8269-42.]

RCW 18.04.370 Penalty

(1) Any person who violates any provision of this chapter, shall be guilty of a crime, as follows:

(a) Any person who violates any provision of this chapter is guilty of a misdemeanor, and upon conviction thereof, shall be subject to a fine of not more than thirty thousand dollars, or to imprisonment for not more than six months, or to both such fine and imprisonment.

(b) Notwithstanding (a) of this subsection, any person who uses a professional title intended to deceive the public, in violation of RCW 18.04.345, having previously entered into a stipulated agreement and order of assurance with the board, is guilty of a felony, and upon conviction thereof, is subject to a fine of not more than thirty thousand dollars, or to imprisonment for not more than two years, or to both such fine and imprisonment.

(c) Notwithstanding (a) of this subsection, any person whose license or certificate was suspended or revoked by the board and who uses the CPA professional title intending to deceive the public, in violation of RCW 18.04.345, having previously entered into a stipulated agreement and order of assurance with the board, is guilty of a class C felony, and upon conviction thereof, is subject to a fine of not more than thirty thousand dollars, or to imprisonment for not more than two years, or to both fine and imprisonment.

(2) With the exception of first time violations of RCW 18.04.345, subject to subsection (3) of this section whenever the board has reason to believe that any person is violating the provisions of this chapter it shall certify the facts to the prosecuting attorney of the county in which such person resides or may be apprehended and the prosecuting attorney shall cause appropriate proceedings to be brought against such person.

(3) The board may elect to enter into a stipulated agreement and orders of assurance with persons in violation of RCW 18.04.345 who have not previously been found to have violated the provisions of this chapter. The board may order full restitution to injured parties as a condition of a stipulated agreement and order of assurance.

(4) Nothing herein contained shall be held to in any way affect the power of the courts to grant injunctive or other relief as above provided.

RCW 18.04.380 Advertising falsely--Effect

(1) The display or presentation by a person of a card, sign, advertisement, or other printed, engraved, or written instrument or device, bearing a person's name in conjunction with the words "certified public accountant" or any abbreviation thereof shall be prima facie evidence in any action brought under this chapter that the person whose name is so displayed, caused or procured the display or presentation of the card, sign, advertisement, or other printed, engraved, or written instrument or device, and that the person is holding himself or herself out to be a licensee, a certified public accountant, or a person holding a certificate under this chapter.

(2) The display or presentation by a person of a card, sign, advertisement, or other printed, engraved, or written instrument or device, bearing a person's name in conjunction with the words certified public accountant-inactive or any abbreviation thereof is prima facie evidence in any action brought under this chapter that the person whose name is so displayed caused or procured the display or presentation of the card, sign, advertisement, or other printed, engraved, or written instrument or device, and that the person is holding himself or herself out to be a certified public accountant-inactive under this chapter.

(3) In any action under subsection (1) or (2) of this section, evidence of the commission of a single act prohibited by this chapter is sufficient to justify an injunction or a conviction without evidence of a general course of conduct. [2001 c 294 § 20; 1986 c 295 § 17; 1983 c 234 § 20; 1949 c 226 § 37; Rem. Supp. 1949 § 8269-44.]

RCW 18.04.390 Papers, records, schedules, etc., property of the licensee or licensed firm--Prohibited practices--Rights of client

(1) In the absence of an express agreement between the licensee or licensed firm and the client to the contrary, all statements, records, schedules, working papers, and memoranda made by a licensee or licensed firm incident to or in the course of professional service to clients, except reports submitted by a licensee or licensed firm, are the property of the licensee or licensed firm.

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

(3) A licensee shall furnish to the board or to his or her client or former client, upon request and reasonable notice:

(a) A copy of the licensee's working papers or electronic documents, to the extent that such working papers or electronic documents include records that would ordinarily constitute part of the client's records and are not otherwise available to the client; and

(b) Any accounting or other records belonging to, or obtained from or on behalf of, the client that the licensee removed from the client's premises or received for the client's account; the licensee may make and retain copies of such documents of the client when they form the basis for work done by him or her.

(4) (a) For a period of seven years after the end of the fiscal period in which a licensed firm concludes an audit or review of a client's financial statements, the licensed firm must retain records relevant to the audit or review, as determined by board rule.

(b) The board must adopt rules to implement this subsection, including rules relating to working papers and document retention.

(5) Nothing in this section should be construed as prohibiting any temporary transfer of workpapers or other material necessary in the course of carrying out peer reviews or as otherwise interfering with the disclosure of information pursuant to RCW 18.04.405.

RCW 18.04.405 Confidential information--Disclosure, when-- Subpoenas

(1) A licensee, certificate holder, or licensed firm, or any of their employees shall not disclose any confidential information obtained in the course of a professional transaction except with the consent of the client or former client or as disclosure may be required by law, legal process, the standards of the profession, or as disclosure of confidential information is permitted by RCW 18.04.350(3) and (4), 18.04.295(8), 18.04.390, and this section in connection with quality assurance, or peer reviews, investigations, and any proceeding under chapter 34.05 RCW.

(2) This section shall not be construed as limiting the authority of this state or of the United States or an agency of this state, the board, or of the United States to subpoena and use such confidential information obtained by a licensee, or any of their employees in the course of a professional transaction in connection with any investigation, public hearing, or other proceeding, nor shall this section be construed as prohibiting a licensee or certified public accountant whose professional competence has been challenged in a court of law or before an administrative agency from disclosing confidential information as a part of a defense to the court action or administrative proceeding.

(3) The proceedings, records, and work papers of a review committee shall be privileged and shall not be subject to discovery, subpoena, or other means of legal process or introduction into evidence in any civil action, arbitration, administrative proceeding, or board proceeding and no member of the review committee or person

who was involved in the peer review process shall be permitted or required to testify in any such civil action, arbitration, administrative proceeding, or board proceeding as to any matter produced, presented, disclosed, or discussed during or in connection with the peer review process, or as to any findings, recommendations, evaluations, opinions, or other actions of such committees, or any members thereof. Information, documents, or records that are publicly available are not to be construed as immune from discovery or use in any civil action, arbitration, administrative proceeding, or board proceeding merely because they were presented or considered in connection with the quality assurance or peer review process. [2001 c 294 § 22; 1992 c 103 § 17; 1986 c 295 § 19; 1983 c 234 § 23.]

RCW 18.04.420 License or certificate suspension—Nonpayment or default on educational loan or scholarship

The board shall suspend the license or certificate of any person who has been certified by a lending agency and reported to the board for nonpayment or default on a federally or state-guaranteed educational loan or service-conditional scholarship. Prior to the suspension, the agency must provide the person an opportunity for a brief adjudicative proceeding under RCW 34.05.485 through 34.05.494 and issue a finding of nonpayment or default on a federally or state-guaranteed educational loan or service-conditional scholarship. The person's license or certificate shall not be reissued until the person provides the board a written release issued by the lending agency stating that the person is making payments on the loan in accordance with a repayment agreement approved by the lending agency. If the person has continued to meet all other requirements for licensure or certification during the suspension, reinstatement shall be automatic upon receipt of the notice and payment of any reinstatement fee the board may impose. [1996 c 293 § 2.]

RCW 18.04.430 License or certificate suspension--Noncompliance with support order--Reissuance

The board shall immediately suspend the certificate or license of a person who has been certified pursuant to RCW 74.20A.320 by the department of social and health services as a person who is not in compliance with a support order or a *residential or visitation order. If the person has continued to meet all other requirements for reinstatement during the suspension, reissuance of the license or certificate shall be automatic upon the board's receipt of a release issued by the department of social and health services stating that the licensee is in compliance with the order. [1997 c 58 § 811.]