

Board of Accountancy Washington State



REGULAR BOARD MEETING AGENDA

Date, Time: Monday, July 22, 2013 – Regular Board Meeting – 9:00 a.m.

Location: The Doubletree Hotel Seattle Airport - Cascade 12 Room
18740 International Boulevard, SeaTac, Washington
(206) 246-8600

Notices:

Chair Introductions/Special Notices

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

Attachments at tab:

1. Public Rule-Making Hearing Script.....A
2. Rule Under Consideration - WAC 4-30-134 What are the CPE requirements for individuals?B
3. Written Stakeholder Comments.....C

REGULAR MEETING AGENDA

1. Rules Review
 - a. Board Deliberation on proposed rules considered at public rule-making hearing - See listing above under Public Rule-Making Hearing – Item 2.
 - b. WAC 4-30-070 What are the experience requirements in order to obtain a CPA license? and WAC 4-30-080 How do I apply for an initial individual CPA license?D
2. Minutes – April 23, 2013, Regular Board MeetingE
3. Board Policies
 - a. 2003-1 Safe Harbor Report Language for Use by Non-CPAsF
 - b. 2000-1 Continuing Professional EducationG
4. Motion for Entry of Order on Default - ACB-1367 – Myrtle M. Parent, CPA..... H
5. AICPA Changes to Code of ConductI

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Washington Telecom Relay Service)

**WASHINGTON STATE
BOARD OF ACCOUNTANCY
REGULAR BOARD MEETING – July 22, 2013
SUMMARY**

Day, time, location, special notices:

Meeting: **Monday, July 22, 2013 - 9:00 a.m.**
Location: **The Doubletree Hotel Seattle Airport**
Cascade 12
18740 International Boulevard
Seattle, Washington
(206) 246-8600

Notices:

Chair's Opening Announcements: The purpose of the Board meeting is for the Board to accomplish its business. After the Board completes its discussion of an agenda item, if appropriate, I will ask if anyone in the audience wishes to comment. As a reminder, individuals attending the meeting may participate only after recognition by the Chair. If you plan to address the Board during the public input section of the agenda, please sign the sign-up sheet.

JULY 22, 2013 - 9:00 A.M. - PUBLIC RULE-MAKING HEARING

Rules Hearing - At **9:00 a.m.** the Board will hold its scheduled rules hearing to obtain public input on the proposed changes to one Board rule.

1. **Public Rule-Making Hearing Outline** - See **Tab A** for the script the Chair will use as a guide during the hearing.
2. **Rule Under Consideration - WAC 4-30-134 What are the CPE requirements for individuals?**

The Executive Director will provide a summary of the proposed changes for the rule during the rules hearing.

The proposed change will allow licensees the option of taking an AICPA based ethics course or the current Washington rules ethics course on subsequent license renewals.

See **Tab B** for the CR-102, Notice of Proposed Rule Making that includes the proposed changes to the rule.

3. **Written Stakeholder Comments**

See **Tab C** for copies of written comments received from three individuals prior to

the mailing of the agenda package. Staff will provide any additional comments received before the rule-making hearing to each Board member via email and in hard copy at the Board meeting for your reference and convenience.

JULY 22, 2013 – REGULAR MEETING OF THE BOARD

1. Rules Review

- a. Board Deliberation on proposed rules considered at public rule-making hearing - *Tab B*** contains the CR-102 filings including the proposed changes to WAC 4-30-134 What are the CPE requirements for individuals?

The Executive Director is prepared to summarize the changes to the rule or answer any questions for the Board during deliberation.

Please note: A reference to the Board's rules on ethics and prohibited practice in subsection (6)(d)(iv)(D) should read: WAC 4-30-040 through 4-30-058 . . . This has been misstated since the recodification from WAC 4-25-830 in 2010. Now is a good opportunity to fix this error.

Does the Board wish to:

- **Adopt the rule as proposed?; or**
- **Adopt the rule with minor changes that do not change the general subject matter of the proposed rule?; or**
- **Amend the rule proposal and set another rules hearing date?; or**
- **Withdraw the rule proposal?**

Effective date: If the Board decides to adopt the rule, the Board must allow determine the effective date. Rules generally become effective 31 days after filing. The Executive Director recommends making the rule effective January 1, 2014, to allow program sponsors time to revise their courses and obtain Board approval.

Does the Board wish to make the rule effective:

- **31 days after filing?; or**
- **January 1, 2014?; or**

- b. WAC 4-30-070 What are the experience requirements in order to obtain a CPA license? and WAC 4-30-080 How do I apply for an initial individual CPA license? – *Tab D***

At its April 23, 2013, meeting the Board discussed revisions to the rules to transfer “knowledge of the Public Accountancy Act and Board rules” from

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the experience competencies (WAC 4-30-070) to WAC 4-30-080. The Board directed staff to begin the rule-making process and include in the Board's July meeting agenda.

Tab D contains a draft CR-102 filing including the changes to the text of the rules for the Board's review. Due to the timing of the Board's meeting and the required filing of a Preproposal Statement of Inquiry (CR-101), the Board could not hold a hearing on this proposal at this meeting.

If necessary, the Executive Director will lead the discussion.

Does the Board wish to direct staff to file the CR-102 as drafted and schedule a rules hearing in conjunction with its October 17, 2013, annual meeting?

2. Minutes – April 23, 2013 – **Tab E**

Board staff presents the draft minutes of the April 23, 2013, regular Board meeting at **Tab E** for the Board's consideration.

Does the Board approve the minutes as drafted?

3. Board Policies

a. 2003-1 Safe Harbor Report Language for Use by Non-CPAs – **Tab F**

At its April 23, 2013, meeting the Board tabled discussion of this policy until its July 2013 meeting. The Executive Director indicated he would make inquiries of the Washington Association of Accountants and the Independent Business Association.

Tab F contains the Board's current policy.

The Executive Director will lead the discussion.

Does the Board wish to revise, retain or retire this policy?

b. 2000-1 Continuing Professional Education – **Tab G**

In January 2012, the AICPA and NASBA revised the Statement on Standards for Continuing Professional Education (CPE) Programs. The revisions include computation of CPE credit for self-study learning activities using a prescribed word count formula. The Board's CPE rules do not currently include this computation.

At its last meeting the Board directed staff to draft an interim policy to allow word count as an approach for interactive and noninteractive self-study CPE offered by sponsors other than the AICPA or NASBA.

Tab G contains draft revisions to the Board's policy 2000-1 Continuing Professional Education for the Board's consideration.

Does the Board wish to revise this policy as drafted?

4. Motion for Entry of Order on Default - ACB-1367 Myrtle M. Parent, CPA

Tab H contains copies of records relating to Myrtle M. Parent, CPA, and her failure to respond to a Statement of Charges served on her on April 8, 2013. The copies include:

- Motion for Entry of Findings of Fact, Conclusions of Law, and Default Order
- Declaration of Richard C. Sweeney
- Various Exhibits
- Draft Findings of Fact, Conclusions of Law and Default Order

The Executive Director will present the State's case to the Board.

Don Aubrey is the Consulting Board Member and will not participate in discussions.

Does the Board wish to enter a default order against Ms. Parent?

5. AICPA Changes to Code of Conduct – Tab I

The AICPA Professional Ethics Executive Committee is requesting comments on the proposed revised AICPA Code of Conduct. Comments are due by August 15, 2013.

At its April 23, 2013, meeting, the Board Chair asked staff to include the exposure draft on the Board's July meeting agenda. Tom Neill and the Executive Director will summarize.

Tab I contains the Exposure Draft.

Does the Board wish to provide comments to the AICPA Professional Ethics Executive Committee on this Exposure Draft?

6. NASBA

- a. **Update** - Don Aubrey, Pacific Regional Director for NASBA, will provide a verbal update on NASBA activities.
- b. **Western Regional Meeting** – Ed, Don, Tom and Rick attended NASBA's

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Western Regional meeting from June 5 through 7, 2013, in New Orleans, Louisiana. They will report.

c. Other

7. Legal Counsel's Report

The Board's legal counsel requests the agenda for regular Board meetings contain a placeholder item allowing for Legal Counsel to report on any current issues related to the Board's activities and/or Washington state law such as: the Administrative Procedures Act, Open Public Meetings Act, Public Disclosure requirements, etc.

8. CHAIR'S REPORT

The Board's Chair requests the agenda for regular Board meetings contain a placeholder item allowing for the Chair to report on any current issues related to the Board's activities. The Chair wishes to discuss:

- a.** Acknowledge Cheryl Sexton's years of service and contributions to the Board.
- b.** Key Issues at the Regional Meeting.
- c.** Recognition to the WSCPA regarding its legislative efforts this past session.
- d.** Other

9. Committee/Task Force Reports

a. Executive – Board Officers.

The Board officers met with the Executive Director via telephone on July 12, 2013. The Chair will report.

**b. Compliance Assurance Oversight – Chair: Edwin Jolicoeur, CPA;
Members:**

Ed will report.

**c. Legislative Review – Chair: Karen Saunders, CPA; Member:
Gerald Ryles.**

Karen will report.

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- d. **Quality Assurance** – Chair: Thomas Neill, CPA; Members: Elizabeth Masnari, CPA and Robert Speicher, CPA

Tom will report.

- e. **Request Review** – Chair: Karen Saunders, CPA; Member: Gerald Ryles

Karen presents the Request Review Committee report at **Tab J** for the Board's review.

- f. **State Ethics Compliance** – Ethics Advisor: Thomas Neill, CPA; Ex-officio Liaison: Richard Sweeney, CPA

Tom will report.

10. **Executive Director's Report**

- a. **Budget Review** - The Executive Director will report.

- b. **Executive Director and Board Members Reappointments** – The Executive Director will report.

- c. **Lean Government Overview** – The Executive Director will report.

- d. **Implementation of Performance Review Task Force Recommendations** – The Executive Director will report.

- e. **Investigation**

- i. **Statistics/Investigations & Administrative Sanctions – Tab K** contains the following:

- Complaint Status Report for the period ended June 30, 2013
- Investigation Statistics January 2003 through June 30, 2013
- Historical Case Status Report January 1, 2011 through December 31, 2012

Charles Satterlund, CPA, Director of Investigations, will report and lead the discussion.

- ii. **Hot Topics – Federal Referrals including “Pass” through AICPA**

Licensees are self-reporting enforcement actions by the AICPA. The AICPA is receiving referrals from federal agencies, conducting investigations, and imposing sanctions.

Charles Satterlund, CPA, Director of Investigations, will report and lead the discussion.

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- f. **IT Integration** – The Executive Director will report.
 - g. **Renewal** – The Executive Director will report.
 - h. **Staffing** – The Executive Director will report.
 - i. **Other**
11. **Executive and/or Closed Session with Legal Counsel** - The Board's Legal Counsel requests the agenda for regular Board meetings contain a placeholder item identifying the Board and Legal Counsel may enter into executive or closed session when determined appropriate.
12. **Public Input** - Board meeting time has been set aside to ensure the public has an opportunity to address its concerns and the Board has an opportunity to ask questions of the public. Individual speakers will be provided 10 minutes each with a maximum of three speakers at each Board meeting. *(Chair: Note the sign-up sheet will be set out at the start of the Board meeting.)*

**WASHINGTON STATE BOARD OF ACCOUNTANCY
RULES HEARING OUTLINE
JULY 22, 2013**

Presiding officer read or paraphrase BOLD type entries

Italics are explanatory notes to presiding officer

Opening statement:

The Board of Accountancy rules hearing is now in session. The date is Monday, July 22, 2013. The time is _____. My name is Emily Rollins. I am Chair of the Board of Accountancy.

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

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

Explain hearing sequence and ground rules as follows:

The hearing will be conducted as follows:

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

2. I will use the attendance roster to invite testimony on the proposal. When you give testimony, please:

- **Stand**
- **State your name and organization if you speak for a group**
- **Limit your testimony to the rule proposal currently before the Board.**
- **After you testify, please remain standing for questions, and**
- **If you are testifying from text, please provide a copy to Board staff.**

Testimony is limited to 10 minutes for each speaker.

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

The rule proposal concerns:

- **WAC 4-30-134 What are the CPE requirements for individuals?**

Richard Sweeney, the Board's Executive Director, will present a brief statement for each proposal. *Rick presents the statement.*

The rule proposal has been identified. We will now move to the testimony.

OVER

1. *TESTIMONY FROM ATTENDANCE ROSTER*

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

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

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

2. *OTHER TESTIMONY*

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

3. *CLOSING STATEMENT:*

Thank you for your testimony.

The Board will deliberate on the oral and written testimony and the proposed rules later today during its regular Board meeting. All participants will be notified in writing of the Board's decision regarding the proposed rules. Thank you all for your participation. This hearing is now closed.



PROPOSED RULE MAKING

CR-102 (June 2012)

(Implements RCW 34.05.320)

Do NOT use for expedited rule making

Agency: Board of Accountancy

- | | |
|---|--|
| <input checked="" type="checkbox"/> Preproposal Statement of Inquiry was filed as WSR 12-19--057 ; or | <input type="checkbox"/> Original Notice |
| <input type="checkbox"/> Expedited Rule Making--Proposed notice was filed as WSR _____; or | <input checked="" type="checkbox"/> Supplemental Notice to WSR 12-23-068 |
| <input type="checkbox"/> Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1). | <input type="checkbox"/> Continuance of WSR _____ |

Title of rule and other identifying information: (Describe Subject)
WAC 4-30-134 What are the CPE requirements for individuals?

Hearing location(s):

The Doubletree Hotel Seattle Airport
Cascade 12 Room
18740 International Boulevard
SeaTac, Washington

Date: July 22, 2013 Time: 9:00 AM

Submit written comments to:

Name: Richard C. Sweeney, Executive Director
Address: PO Box 9131
Olympia, WA 98507-9131
e-mail info@cpaboard.wa.gov
fax (360)664-9190 by (date) July 15, 2013

Assistance for persons with disabilities: Contact

Cheryl Sexton by 07/15/2013
TTY (800) 833-6388 or (800) 833-6385 (Telebraille)

Date of intended adoption: July 22, 2013
(Note: This is NOT the effective date)

Purpose of the proposal and its anticipated effects, including any changes in existing rules: WAC 4-30-134: (1) To require at least 60% of the required ethics continuing professional education (CPE) course content, presentation time, and commentary to specifically include information on the Public Accountancy Act, the Board's rules and policies, variances between Washington state law and the AICPA Code of Conduct, and case study scenarios demonstrating how to comply with the ethics requirements. The remaining 40% of the course content, presentation time, and commentary may cover AICPA or other professionally based ethics. (2) To specify the process and associated penalties for license renewal applicants that self-report CPE deficiencies during renewal.

Reasons supporting proposal: After considering comments and testimony at hearing on the rule-making proposal in January 2013, the Board determined it is necessary to ensure that authors of the required four hours of Board approved CPE in ethics and regulation present and discuss content that is specific to Washington State ethics as it pertain to certified public accountants (CPAs) yet allow credentialed persons to obtain ethics CPE that is related to the individual's required workplace competencies. The Board revised the proposal accordingly.

The Board by policy has set the requirements for CPAs who fail to timely complete the required CPE to renew their credential without lapse. The proposal moves the requirements from policy to rule.

Other changes in the proposal are for clarity. The Board is not proposing to change the basic CPE requirements.

Statutory authority for adoption: RCW 18.04.055(7), (14), 18.04.215(5)

Statute being implemented: RCW 18.04.055(7) (14), 18.04.215(5)

Is rule necessary because of a:

- | | | |
|-------------------------|------------------------------|--|
| Federal Law? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Federal Court Decision? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| State Court Decision? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
- If yes, CITATION:

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: **May 21, 2013**

TIME: **1:38 PM**

WSR **13-11-121**

DATE
May 20, 2013

NAME (type or print)
Richard C. Sweeney

SIGNATURE

TITLE
Executive Director

(COMPLETE REVERSE SIDE)

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

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

- Private
 Public
 Governmental

Name of agency personnel responsible for:

Name	Office Location	Phone
Drafting..... Richard C. Sweeney, CPA	711 Capitol Way S, Suite 400, Olympia, WA	(360) 586-0163
Implementation.... Richard C. Sweeney, CPA	711 Capitol Way S, Suite 400, Olympia, WA	(360) 586-0163
Enforcement..... Richard C. Sweeney, CPA	711 Capitol Way S, Suite 400, Olympia, WA	(360) 586-0163

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

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

A copy of the statement may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

No. Explain why no statement was prepared.

The proposed rules will not have more than minor economic impact on business.

Is a cost-benefit analysis required under RCW 34.05.328?

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

Name:

Address:

phone () _____

fax () _____

e-mail _____

No: Please explain: The Board of Accountancy is not one of the agencies required to submit to the requirements of RCW 34.05.328(5)(a).

AMENDATORY SECTION (Amending WSR 11-07-070, filed 3/22/11, effective 4/22/11)

WAC 4-30-134 What are the continuing professional education (CPE) requirements for individuals? (1) ~~((The following CPE is required for))~~ Qualifying continuing professional education (CPE) must:

(a) 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;

(b) Maintain knowledge of current ethical and other regulatory requirements; and

(c) Be completed by individuals during ~~((the three calendar year period prior to renewal:))~~ 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).

(2) **General CPE requirements for renewal of valid credentials:**

(a) ~~((An individual licensed to practice in this state))~~ A licensee must complete a total of 120 CPE hours, including 4 CPE credit hours in ~~((an approved Washington))~~ ethics ~~((and regulations course))~~ meeting the requirements of subsection ~~((3))~~ (6) of this section. The total 120 CPE hours requirement is limited to no more than 24 CPE credit hours in nontechnical subject areas. ~~((All qualifying CPE hours must be taken after the date your initial CPA license was issued:))~~

(b) A CPA-Inactive certificate holder or a resident nonlicensee firm owner must complete 4 CPE credit hours in ethics meeting the requirements of subsection ~~((3))~~ (6) of this section ~~((and)).~~

(c) Individuals ~~((holding))~~ eligible to exercise practice privileges are exempt from the CPE requirements of this section.

~~((2) CPE requirements for renewal of a license that was issued less than three years before the end of a CPA-Inactive certificate renewal cycle: When you convert your status from a CPA-Inactive certificate holder to a licensee, your CPE reporting period (the three calendar year period prior to renewal) and renewal cycle will remain the same. The CPE requirements for renewal are as follows:~~

~~(a)) (3) **Exceptions to the general CPE requirements: CPE requirements for the initial CPE renewal period after conversion of a CPA-Inactive certificate to a Washington state license:**~~

~~(a) If your license was issued during the first calendar year of your CPE reporting period, you must have completed 80 CPE credit~~

hours which is limited to 16 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics meeting the requirements of subsection ~~((3))~~ (6) of this section prior to December 31st of the calendar year following the calendar year in which your license was initially issued.

(b) If your license was issued during the second calendar year of your CPE reporting period, you must have completed 40 CPE credit hours which is limited to 8 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics meeting the requirements of subsection ~~((3))~~ (6) of this section.

(c) If your license was issued during the third calendar year of your CPE reporting period, you must have completed 4 CPE credit hours in ethics meeting the requirements of subsection ~~((3))~~ (6) of this section.

~~((3))~~ (4) For the following circumstances, you must have completed the requirements of subsection (2)(a) of this section within the thirty-six-month period immediately preceding the date an application is submitted to the board; however, the 4 CPE hours in ethics meeting the requirements of subsection (6) of this section must be completed within the six-month period immediately preceding the date your application and the CPE documentation is submitted to the board:

(a) You are applying to reactivate a license out of retirement; or

(b) You are a CPA-Inactive certificate holder applying for a license; or

(c) You want to return to your previously held status as a licensee; or

(d) You are applying for reinstatement of a lapsed, suspended, or revoked license.

(5) For the following circumstances, you must have completed the 4 CPE hours in ethics meeting the requirements of subsection (6) of this section within the six-month period immediately preceding the date your application and the CPE documentation is submitted to the board:

(a) You are applying to reactivate a CPA-Inactive certificate out of retirement; or

(b) You are applying to reinstate a lapsed, suspended, or revoked CPA-Inactive certificate, or registration as a resident nonlicensee firm owner.

(6) CPE in ethics and regulation ~~((s applicable to practice in Washington state))~~ :

(a) During each CPE reporting period **after initial licensing** all individuals licensed in this state, ~~((individual CPA-Inactive certificate holders in this state, and))~~ **including nonresident and individuals from foreign countries who received initial Washington state licenses by reciprocity, CPA-Inactive certificate holders, and individuals initially recognized as resident nonlicensee firm owners,** are required to complete 4 **qualifying** CPE credit hours in approved ethics and regulations ~~((with specific application to the practice of public accounting))~~ in Washington state. ~~((In order to be approved by the board,))~~

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

(c) All CPE ((sponsor or instructor)) authors must submit ((documentation associated with the ethics and regulations CPE)) course materials for this course to the executive director of the board for approval ((and the sponsor or instructor must obtain written approval from the board)) prior to delivery of the content for credit.

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

~~((a) Chapter 18.04 RCW and Title 4 WAC. The CPE must include))~~ (i) General level information on the AICPA Code of Conduct.

(ii) General level information on the Public Accountancy Act, the board's rules, policies, including recent or pending changes therein, and the rule-making process.

~~((b))~~ (iii) Emphasis must be placed on variances or key differences between Washington state law (chapter 18.04 RCW), this board's rules (Title 4 WAC), and the AICPA Code of Conduct.

(iv) Detailed information on the following:

(A) WAC 4-30-026 How can I contact the board?

~~((c))~~ (B) WAC 4-30-032 Do I need to notify the board if I change my address?

~~((d))~~ (C) WAC 4-30-034 Must I respond to inquiries from the board?

~~((e))~~ (D) WAC 4-30-040 through 4-30-048 Ethics and prohibited practices ((. The CPE must include detailed information on each rule and all)), including related board policies, if any.

~~((f))~~ (E) WAC ((4-30-103)) 4-30-130 Series--Continuing competency ((. The CPE must include detailed information on each rule and all)), including related board policies, if any.

~~((g))~~ (F) WAC 4-30-142 What are the bases for the board to impose discipline?

~~((h) AICPA Code of Conduct: The CPE must include general level information on the AICPA Code of Conduct.~~

~~(i) Variances or key differences between Washington state law (chapter 18.04 RCW), this board's rules (Title 4 WAC) and the AICPA Code of Conduct.~~

~~((j))~~ (G) Other topics or information as defined by board policy.

~~((4) CPE requirements to renew a license or CPA inactive certificate out of retirement:~~

~~(a) In order to renew a license out of retirement, you must meet the CPE requirements of subsection (1)(a) of this section within the thirty-six month period immediately preceding the date the renewal application is submitted to the board; however, the four CPE hours in ethics meeting the requirements of subsection (3) of this section must be completed within the six-month period~~

~~immediately preceding the date your renewal application is submitted to the board.~~

~~(b) In order to renew a CPA-Inactive certificate out of retirement, you must meet the CPE requirements of subsection (1)(b) of this section within the six-month period immediately preceding the date your renewal application is submitted to the board.~~

~~(5) CPE requirements for a CPA-Inactive certificate holder to either qualify to apply for a license or return to their previously held status as a licensee: If you hold a valid CPA-Inactive certificate and you wish to apply for a license or you want to return to your previously held status as a licensee, you must meet the CPE requirements of subsection (1)(a) of this section within the thirty-six month period immediately preceding the date your application is submitted to the board.~~

~~(6) Reinstatement of a lapsed, suspended, or revoked license, certificate, or registration as resident nonlicensee firm owner:~~

~~(a) If you seek to reinstate a lapsed, suspended, or revoked license, you must satisfy the requirements of subsection (1)(a) of this section within the thirty-six month period immediately preceding the date the application for reinstatement is submitted to the board; however, the four CPE hours in ethics meeting the requirements of subsection (3) of this section must be completed within the six-month period immediately preceding the date your application for reinstatement is submitted to the board.~~

~~(b) If you seek to reinstate a lapsed, suspended, or revoked CPA-Inactive certificate, or registration as a resident nonlicensee firm owner, you must satisfy the requirements of subsection (1)(b) of this section within the six-month period immediately preceding the date your application for reinstatement is submitted to the board.~~

~~(7) Reciprocity: If you are applying for an initial Washington state CPA license under the reciprocity provisions of the act, you must satisfy the requirements in subsection (1)(a) of this section, after you were licensed as a CPA and within the thirty-six month period immediately preceding the date your application is submitted to the board. For purposes of initial licensure, you do not need to satisfy the ethics requirements of subsection (1)(a) of this section. Thereafter, in order to renew your Washington state license, you must comply with all the renewal requirements in subsection (1)(a) of this section.~~

~~(8)) (e) 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.~~

~~(f) At least sixty percent 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 state law (chapter 18.04 RCW),~~

the board's rules (Title 4 WAC), 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.

(7) CPE extension requests:

(a) In order to renew your license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner, you must complete the required CPE by ((the end of the CPE reporting period)) December 31st of the calendar year preceding the calendar year of your renewal unless you can demonstrate your failure to meet the CPE requirements was due to reasonable cause.

(b) 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 by ((the end of the CPE reporting period)) December 31st 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.

(c) A form useful for this purpose is available from the board's web site or will be provided to you upon request.

(8) Self-reported deficiencies:

(a) 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 1st through June 30th of the renewal year, you will be permitted to continue to use the restricted title during the renewal period provided you:

(i) Submit to the board, in writing, the specific CPE plan to obtain to correct the CPE deficiency on or before June 30th of the renewal period;

(ii) Timely complete the CPE sufficient to correct the deficiency;

(iii) Timely submit certificates of completion for the subject CPE taken to the board; and

(iv) Pay the fee for reinstatement of a lapsed credential on or before June 30th of the renewal year.

(b) CPE deficiencies taken by June 30th of the renewal year under this subsection will be carried back to the reporting period ending on December 31st 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.

(ACB)

From: Kris Lambright <klambright@ywcaworks.org>
Sent: Friday, March 29, 2013 10:59 AM
To: Board of Accountancy (ACB)
Subject: Feedback on amendment to WAC 4-30-134

To: Richard C. Sweeney

RE: Regarding the amendment to ['WAC 4-30-134](#) What are the CPE requirements for individuals?

I am in favor of the proposed change.

As a CPA in industry I am a proponent of making the ethics requirement broader. The current WA approved courses are really aimed at CPA's in public practice. The current required course makes sense for them, but having the ability to take a course that is more relevant to my actual work would be a big plus.

Thank you for your consideration.
Kris

My license is #13362.

Ms. Kris Lambright

Chief Financial Officer

{p} 206.490.4380
{f} 206.461.4860

YWCA Seattle | King | Snohomish
1118 Fifth Avenue, Seattle, WA 98101

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ywcaworks.org

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(ACB)

From: Patsy Berry <pberry@accountantsed.com>
Sent: Tuesday, June 18, 2013 12:35 PM
To: Board of Accountancy (ACB)
Subject: proposed rule 4-30-134

Mr. Sweeney, while I support the additional flexibility offered to ethics providers under proposed (modified) rule 4-30-134, I do not know whether the reference to "WAC 4-30-040 through 4-30-048" in subsection (6) was inadvertent and was meant instead to reference "WAC 4-30-040 through 4-30-058". If this was inadvertent, I wanted to bring it to your attention.

Regards,

Patricia Berry
Accountants Education Group

Sweeney, Richard (ACB)

From: Jim Rigos <jim@rigos.net>
Sent: Thursday, June 06, 2013 11:21 PM
To: Sweeney, Richard (ACB)
Subject: Fw: Washington Ethics Courses
Attachments: Washington State Ethics Text Master - 2013.pdf; Ethics and Quality Control For CPAs in Public Practice - 4 hours 2013 - Oregon.pdf; High Sensitivity Advanced Topics - 2013.pdf; PC&E For CPAs and CMAs in Bus and Ind 2013 - 4 hour.pdf

Rick:

I received your notice of the Board meeting today where Washington ethics course approval rules are to be modified under some random 60% allocation process. Your intention seems contrary to the interests of the majority of CPAs in Washington.

This proposal departs from both NASBA and the PEEC model which are the benchmark standards of how Boards regulate non-statutory ethics courses. I am not aware of any other state Board that has done it this way. Are you? What is their reasoning? Did you know Ray Johnson from PSU is now on AICPA PEEC and formerly chaired the NASBA ethics committee? He developed the Oregon policy that is now the gold standard CPA ethics national model and working so well. Why would you want to depart from his high quality leadership to create some oddball new one-state only rule?

I am not sure how you evaluate and/or approve such courses. It seems to me that AICPA and Board rules bottom any course on ethics for CPAs in whatever accounting work they are doing. Still, before I take formal position on your new proposal, please tell me **if our courses** which are approved by NASBA QAS and other state Board's **qualify** under your proposed change. They are attached and be aware that these classes are currently offered. If they meet whatever standard you initiate, I am not opposed to the change. But if our courses which other state accept do not meet your new standards I am likely opposed.

This is notice we are a legally affected Washington state party and how you apply this new rule is of overwhelming import here. It is not reasonable for the longest running clearly affected major Provider stakeholder to make this decision without knowing the consequences. If, for example, your answer is our courses do qualify, I have no standing to even express an opinion. But if they do not qualify under your proposed change, your agency in enacting this change is effectively putting us out of business. You may be able to do that initially but be on notice we will suffer damages and may be forced to seek review. Each of these CPA ethics courses score above 4.5 consistently so they are hardly of poor quality.

Without knowing the foreseeable consequences of your proposal it is not reasonably possible to expect a stakeholder to take a position. And it seems to me that such new rule application to the major existing stakeholder offerings should be a part of the Board's due diligence duty, be investigated, and formally reported on as a prerequisite.

Until you can state definitely what happens to our attached courses, I can not take a position.

Jim Rigos, JD, LLM, CPA, Proprietor
Rigos Bar, Accountancy, and Ethics Review Series
310 Sander Building
4105 East Madison
Seattle, WA 98112
206-624-0716
jim@rigos.net
www.rigos.net

"Define your future by your dreams and not by your memories, by your hopes and not by your fears."

From: [Steve Johnson](#)
Sent: Thursday, June 06, 2013 3:10 PM
To: [Jim Rigos](#)
Subject: Washington Ethics Courses

Steve Johnson

Rigos Professional Education Programs
310 Sander Building
4105 East Madison
Seattle, WA 98112
206-624-0716
steve@rigos.net
www.rigos.net



PROPOSED RULE MAKING

R-102 (June 2012)
(Implements RCW 34.05.320)
Do NOT use for expedited rule making

Agency: Board of Accountancy

- | | |
|--|---|
| <input checked="" type="checkbox"/> Preproposal Statement of Inquiry was filed as WSR 13-10-034 _____ ; or | <input checked="" type="checkbox"/> Original Notice |
| <input type="checkbox"/> Expedited Rule Making--Proposed notice was filed as WSR _____ ; or | <input type="checkbox"/> Supplemental Notice to WSR _____ |
| <input type="checkbox"/> Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1). | <input type="checkbox"/> Continuance of WSR _____ |

Title of rule and other identifying information: (Describe Subject)

1. WAC 4-30-070 What are the experience requirements in order to obtain a CPA license?
2. WAC 4-30-080 How do I apply for an initial individual CPA license?

Hearing location(s):

The Doubletree Hotel Seattle Airport
Cascade 12 Room
18740 International Boulevard
SeaTac, Washington

Date: October 17, 2013 Time: 9:00 AM

Submit written comments to:

Name: Richard C. Sweeney, Executive Director
Address: PO Box 9131
Olympia, WA 98507-9131
e-mail info@cpaboard.wa.gov
fax (360)664-9190 by (date) October 10, 2013

Assistance for persons with disabilities: Contact

Jennifer Sciba by 10/10/2013
TTY (800) 833-6388 or (800) 833-6385 (Telebraille)

Date of intended adoption: October 17, 2013
(Note: This is NOT the effective date)

Purpose of the proposal and its anticipated effects, including any changes in existing rules: To transfer "knowledge of the Public Accountancy Act and Board rules" from the experience competencies currently contained in WAC 4-30-070 to WAC 4-30-080. The proposal will amend WAC 430-080 to require applicants for an initial individual CPA license to complete a course covering the Washington Public Accountancy Act, related Board rules, and Board policies. Under the rule proposal, applicants for an initial Washington State CPA license will be required to complete a self-study course, the related test, and score at least 90%.

Reasons supporting proposal: The goal is to expose applicants to and ensure their knowledge of the Public Accountancy Act, Board rules, and Board policies. This knowledge is essential to impart a public responsibility orientation to new licensees.

Statutory authority for adoption: 1: RCW 18.04.055(11)
18.04.105(1)(d) 2: RCW 18.04.055, 18.04.105(1) 18.04.215(1)

Statute being implemented: 1: RCW 18.04.055(11)
18.04.105(1)(d) 2: RCW 18.04.055, 18.04.105(1) 18.04.215(1)

Is rule necessary because of a:

- | | | |
|-------------------------|------------------------------|--|
| Federal Law? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Federal Court Decision? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| State Court Decision? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
- If yes, CITATION:

CODE REVISER USE ONLY

DATE
June 14, 2013

NAME (type or print)
Richard C. Sweeney

SIGNATURE

TITLE
Executive Director

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

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

- Private
 Public
 Governmental

Name of agency personnel responsible for:

Name	Office Location	Phone
Drafting..... Richard C. Sweeney, CPA	711 Capitol Way S, Suite 400, Olympia, WA	(360) 586-0163
Implementation....Richard C. Sweeney, CPA	711 Capitol Way S, Suite 400, Olympia, WA	(360) 586-0163
Enforcement.....Richard C. Sweeney, CPA	711 Capitol Way S, Suite 400, Olympia, WA	(360) 586-0163

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

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

A copy of the statement may be obtained by contacting:

Name:
Address:

phone () _____

fax () _____

e-mail _____

No. Explain why no statement was prepared.

The proposed rules will not have more than minor economic impact on business.

Is a cost-benefit analysis required under RCW 34.05.328?

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

Name:
Address:

phone () _____

fax () _____

e-mail _____

No: Please explain: The Board of Accountancy is not one of the agencies required to submit to the requirements of RCW 34.05.328(5)(a).

AMENDATORY SECTION (Amending WSR 10-24-009, filed 11/18/10, effective 12/19/10)

WAC 4-30-070 What are the experience requirements in order to obtain a CPA license? (1) 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.

(2) Employment experience should demonstrate that it occurred in a work environment and included tasks sufficient to have provided an opportunity to obtain the competencies defined by subsection (3) of this section and:

(a) Covered a minimum twelve-month period (this time period does not need to be consecutive);

(b) Consisted of a minimum of two thousand hours;

(c) 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;

(d) Be verified by a licensed CPA as meeting the requirements identified in subsection (5) of this section; and

(e) Be obtained no more than eight years prior to the date the board receives your complete license application.

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

~~(a) ((Knowledge of the Public Accountancy Act and related board rules applicable to licensed persons in the state of Washington;~~

~~(b))~~ Assess the achievement of an entity's objectives;

~~((c))~~ (b) Develop documentation and sufficient data to support analysis and conclusions;

~~((d))~~ (c) Understand transaction streams and information systems;

~~((e))~~ (d) Assess risk and design appropriate procedures;

~~((f))~~ (e) Make decisions, solve problems, and think critically in the context of analysis; and

~~((g))~~ (f) Communicate scope of work, findings and conclusions effectively.

(4) **The applicant's responsibilities:** The applicant for a license requesting verification is responsible for:

(a) 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;

(b) Producing that documentation and the completed Experience Affidavit form to a qualified verifying CPA of their choice;

(c) Determining that the verifying CPA meets the requirements of subsection (5) of this section; and

(d) Maintaining this documentation for a minimum of three years.

(5) **Qualification 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 as defined in RCW 18.04.350(2) 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.

DRAFT

AMENDATORY SECTION (Amending WSR 10-24-009, filed 11/18/10, effective 12/19/10)

WAC 4-30-080 How do I apply for an initial individual CPA license? (1) To qualify to apply for an initial license you must meet the following criteria and requirements:

(a) Good character requirements of RCW 18.04.105 (1)(a);
(b) Education requirements of WAC 4-30-060;
(c) Examination requirements of WAC 4-30-062;
(d) ~~((Ethics course requirements by achieving and documenting))~~ Experience requirements of WAC 4-30-070;

(e) Achieve and document a passing grade of ninety percent or better on a course covering the complete content of the AICPA Code of Professional Conduct;

~~((e) Experience requirements of WAC 4-30-070, and))~~

(f) Achieve and document a passing grade of ninety percent or better on a board-approved initial course covering the Washington State Public Accountancy Act, related board rules, and board policies.

~~((2))~~ (2) If more than four years have lapsed since you passed the examination, you must meet the CPE requirements of WAC 4-30-134 ~~((1))~~ (2)(a) within the thirty-six month period immediately preceding submission of your license application. That CPE must include CPE hours in ethics and regulation ~~((applicable to the practice of public accounting in Washington state))~~ meeting the requirements of WAC 4-30-134 ~~((3))~~ (6). ~~((The))~~ This regulatory ethics portion of the combined one hundred twenty-hour CPE requirement must be completed within the six month period immediately preceding submission of your license application.

~~((2))~~ (3) You must provide the required information, documents, and fees to the board either by making application through the board's online application system or on a form provided upon request. You must provide all requested information, documents and fees to the board before the application will be evaluated.

~~((3))~~ (4) Upon assessment of your qualifications and approval of your application, your licensed status will be posted in the board's licensee data base and, therefore, made publicly available for confirmation. A hard copy of your license can be provided upon request.

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

~~((5))~~ (6) You may not use the title CPA until the date the approval of your license is posted in the board's licensee data base and, therefore, made publicly available for confirmation.

WASHINGTON STATE BOARD OF ACCOUNTANCY

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

Time and Place of Meeting	9:00 a.m. –2:23 p.m. Tuesday, April 23, 2013 The Doubletree Hotel Seattle Airport Cascade 12 18740 International Boulevard SeaTac, Washington
Attendance	Emily Rollins, CPA, Chair, Board Member Karen R. Saunders, CPA, Vice Chair, Board Member (Arrived at approximately 9:35 a.m.) Elizabeth D. Masnari, CPA, Secretary, Board Member Donald F. Aubrey, CPA, Board Member Robert G. Hutchins, Public Board Member Edwin G. Jolicoeur, CPA, Board Member Thomas G. Neill, CPA, Board Member Gerald F. Ryles, Public Board Member Bruce L. Turcott, Assistant Attorney General, Board Adviser Richard C. Sweeney, CPA, Executive Director Jennifer Sciba, Deputy Director Charles E. Satterlund, CPA, Director of Investigations Taylor Shahon, Special Assistant to the Director of Investigations Cheryl M. Sexton, Board Clerk
Call to Order	Board Chair, Emily Rollins, called the regular meeting of the Board to order at 9:00 a.m.
Minutes – January 22, 2013, Regular Board Meeting	The Board approved the minutes of the January 22, 2013, regular Board meeting as presented.
Board Policies – Annual Review	The Board completed its annual review of all Board policies and voted to retain the following policies with no revisions: <ul style="list-style-type: none">• 2000-1 Continuing Professional Education• 2002-1 Substantial Equivalency Jurisdictions• 2002-2 Expert Witness Services• 2002-4 International Reciprocity• 2004-2 Exam Applicant Disability Documentation• 2011-2 Interim Policy Guidelines Pending Rule Changes

The Board voted to retain the following policies with minor revisions:

- 2004-1 Sanction and Penalty Guidelines
- 2011-1 Principles Underlying Board Rules (to replace WAC 4-25-610)
- 2012-1 Social Media

The Board tabled discussion of the following policy until its July 2013 meeting. The Executive Director will make inquiries of the Washington Association of Accountants and the Independent Business Association.

- 2003-1 Safe Harbor Report Language for Use by Non-CPAs

Delegations of Authority

The Board voted to retain the following delegations revised for the current chair's name and signature:

- Charges, Subpoenas, Negotiate Settlement – *Delegated to Executive Director, Richard C. Sweeney*
- Authority to Conduct Investigations – *Delegated to the Director of Investigations*
- CPE Waiver Extension Requests/Request Review Committee
 - *Delegated to Executive Director:* CPE Waiver Extension Requests due to individual hardship, including but not limited to, financial hardship, critical illness, or active military deployment for up to 16 credit hours
 - *Delegated to Executive Director with Concurrence of a Board member:*
 - CPE Waiver Extension Requests due to individual hardship, including but not limited to, financial hardship, critical illness, or active military deployment over 16 credit hours
 - Firm Names
 - Professional/Education Organization Recognition Requests
 - Late Fee Waiver Requests where individual hardship is a factor
 - Domestic or foreign education credential evaluation services
 - *Delegated to one member of the Request Review Committee:* Appeal of Denials of Request for Lists of Individuals

The Board reviewed and proposed minor revisions to the following delegations to reflect current rules and

practices. The Board approved the delegations as revised including the current chair's name and signature effective April 23, 2013:

- Quality Assurance Oversight/Review of Publicly Available Professional Work
 - *Delegated to the Executive Director with concurrence of one Board member: Quality Assurance Oversight*
 - *Delegated to the Executive Director: Review of publicly available professional work.*
- Administrative Notices of Non-Compliance/Administrative Sanctions - *Delegated to the Executive Director*

The Board determined it is the Board's policy to renew its delegations as authorized by RCW 18.04.045(7) whenever there is a new chair. The Board directed staff to annually bring delegations revised for any new chair for review to its January meeting or whenever a new chair is elected.

Rules Review

WAC 4-30-134 What are the CPE requirements for individuals? The Board reviewed the rule proposal revised for written comments and testimony received at its January 22, 2013, hearing. The Board directed staff to move the proposal forward for public hearing in July in conjunction with the Board's regular meeting.

WAC 4-30-132 What are the program standards for CPE? In January 2012, the AICPA and NASBA revised the Statement on Standards for Continuing Professional Education (CPE) Programs. The revisions include computation of CPE credit for self-study learning activities using a prescribed word count formula. The Board's CPE rules do not currently include this computation.

The Board directed staff to draft an interim policy to allow word count as an approach for interactive and noninteractive self-study continuing professional education (CPE) offered by sponsors other than the AICPA or NASBA.

WAC 4-30-080 How do I apply for an initial individual CPA license? and WAC 4-30-070 What are the experience requirements in order to obtain a CPA license? The Board discussed revisions to the rules to

transfer "knowledge of the Public Accountancy Act and Board rules" from the experience competencies (WAC 4-30-070) to WAC 4-30-080. The proposal will require applicants for an initial individual CPA license to complete a course covering the Washington Public Accountancy Act, related Board rules, and Board policies.

The Board directed staff to begin the rule-making process and include in the Board's July meeting agenda.

WSCPA Special Award Presentation

Rich Jones, President and CEO of the Washington Society of CPAs (WSCPA), presented the WSCPA 2012-2013 Special Award to Board Member Robert Hutchins for exceptional dedication to the CPA profession.

NASBA Update

Update: Don Aubrey, Pacific Regional Director for the National Association of State Boards of Accountancy (NASBA), provided the Board with an update on NASBA activities including:

- Titles
- NASBA's comments on the AICPA's exposure draft: Proposed Financial Reporting Framework for Small and Medium-Sized Entities
- White paper on firm mobility
- NASBA's Awards Committee is calling for nominations for the Lorraine P. Sachs Standard of Excellence Award and the Distinguished Service Award. Don asked that anyone who is interested in making a nomination to contact him.

Western Regional Meeting: NASBA will hold its Western Regional meeting from June 5 through 7, 2013, in New Orleans, Louisiana. Don Aubrey, Ed Jolicoeur, and the Executive Director will attend. Tom Neill expressed interest in attending.

Pacific Regional Director Nominations: The Executive Director presented a draft letter to NASBA's Nominating Committee supporting the nomination of Don Aubrey to continue to serve as NASBA Pacific Regional Director. The Board endorsed Don's nomination.

Legal Counsel's Report

Bruce Turcott, the Board's legal counsel, advised the Board that the Court of Appeals decision dismissing the West public records lawsuit in favor of the Board was not

appealed, and the case is now closed.

Bruce gave a brief presentation on the highlights of Initiative 502 licensing and regulation of marijuana production, processing, and sales in Washington.

Chair's Report

Emily Rollins, the Board Chair, reported:

2013 Meeting Schedule: The Board resolved to change its 2013 meeting schedule to:

- Monday, July 22, 2013
- Thursday, October 17, 2012

The Board asked the Board clerk to send out notices to all Board members.

Providing Accounting Services to an Industry that is Illegal under Federal Law: Don provided the Board with an update.

AICPA Exposure Draft on Proposed Revised AICPA Code of Professional Conduct: Comments on the exposure draft are due to the Professional Ethics Division by August 15, 2013. The Chair asked staff to include the exposure draft on the Board's July meeting agenda. Tom Neil and the Executive Director will summarize.

NASBA Committee Nominations: NASBA committee nominations are due. The Chair asked Board members to contact her if they have interest in serving or any recommendations.

Executive Committee

The Chair reported. The Board officers met with the Executive Director via telephone on Friday, March 29, 2013.

Compliance Assurance Oversight Committee

Ed Jolicoeur presented suggested tools developed by NASBA for peer review oversight by state boards. The checklists will be rolled out formally at the Peer Review Oversight Committee (PROC) conference in Nashville in mid-June. Ed encouraged their use.

The Executive Director reported that Nina Gerbic, CPA, is willing to oversee the administration of the peer review process for engagement reviews and Deidre Roberts, CPA, is willing to oversee the administration of the peer review process for system reviews. The Board formally

appointed Nina and Deidre to the Board's Compliance Assurance Oversight Committee.

Legislative Liaison Committee

The Legislative Liaison Committee had nothing to report for this meeting.

Quality Assurance Committee

The Quality Assurance Committee had nothing to report for this meeting.

Request Review Committee

Committee chair, Karen Saunders reported:

During the first quarter 2013, the Executive Director and a Consulting Board Member from the Request Review Committee took the following action:

CPE Extensions exceeding 16 CPE credit hours: All CPE extension requests were due on or before December 31, 2012. No activity during first quarter 2013.

Firm Names: *Approved:*

- Adams, Brown, Beran & Ball, Chartered
- Cleveland Estes Avellone, PLLC
- Cynthia A Brog Accounting Services, LLC
- Freedom Tax & Accounting Services LLC
- Gumbiner Savett Inc.
- Kalter Co Consulting and Accounting
- Kiesling Associates LLP
- Seattle CPA Firm LLC
- Summit Accounting Services LLC
- Wozniak & Mullen, LLP

Late Fee Waivers: No activity during first quarter 2013.

Professional/Educational Organization - Recognition Requests:

Recognized:

- University of Washington
- HalfMoon Education Inc.

Domestic or Foreign Education Credential Evaluation Services – Applications:

Recognized:

- Educational Records Evaluation Service, Inc. (ERES)

State Ethics

Ethics advisor, Tom Neill, reported that he will be

**Compliance
Committee**

forwarding compliance checklists to new staff. The Executive Director is suggesting training for staff.

**Executive Director's
Report**

The Executive Director reported:

Budget Review: The 2013 Legislature is proposing a sweep of \$3.2 million from the agency's fund balance. Judy Love, Director of Advocacy for the WSCPA, reported on the WSCPA's legislative activities.

CPE Deficiencies: All CPE extension requests were due on or before December 31, 2012. There was no activity during first quarter 2013.

Executive Director Reappointment Application Process: Reappointment is still pending the Governor's action.

Government Management, Accountability & Performance (GMAP): The Governor has directed agencies to use Lean principles and methods to improve value for taxpayers' money.

Implementation of Performance Review Task Force Recommendations: The Executive Director reported on the recommended centralization of records. The agency will be moving email management to the Department of Enterprise Services' email vaulting solution.

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

- Complaint Status Report for the period ended March 31, 2013
- Investigation Statistics January 2003 through March 31, 2013
- Case Status Report – March 31, 2011 through December 31, 2012

Board members asked that Charles add the number of CPAs to the Investigation Statistics 2003-2013 report. Charles reported on hot topics including:

- Sale of CPA practice and confidential client information
- Accounting/Payroll files in Cloud environment: Charles related recent investigative experience with two cases involving complaints about accounting and payroll files that are created for the benefit of

the client using software hosted on a cloud environment, the most prevalent example being QuickBooks accounting or payroll files that are hosted by Intuit. The complaints center on ownership of the accounting files and whether or not the CPA is obligated to transfer the files to the client upon the client's disengagement. In at least one of the example cases, the CPA made arguments that the accounting file was proprietary work product. Board members communicated a strong directive to the investigative staff that electronic accounting files created for the clients benefit are unambiguously client records under WAC 4-30-051.

- Use of title on resumes
- Partnership disputes
- Moving cases forward when litigation or legal action is pending
- Accountancy Licensee Database (ALD) monitoring has been assigned to the Director of Investigations' Special Assistant

IT Integration: The online IT integration project is moving ahead. The project is currently focusing on case management.

Renewal: Staff provided the Board with the following renewal statistics:

Individuals

4533 renewing online – 98%
101 renewing via paper - 2%
1620 still to renew – 26%

Firms

457 renewing online – 95%
22 renewing via paper – 5%
300 still to renew – 39%

To date using the online application, the agency has collected in revenue:

ACH = \$2,351,090 - 46%
AMX = \$553,416 – 11%
Mas = \$536,031 – 11%
Vis = \$1,656,021 – 32%
Total = \$5,096,558

Staffing: Three new staff member were hired: Communication Specialist, Forms and Records Analyst,

and Special Assistant to Director of Investigations. They are providing the agency with energy, initiative, and new ideas.

WBOA-News: As of April 17, 2013, 1856 individuals have subscribed. This is a net increase of 25 individuals since January 15, 2013 – 1%.

Public Input

The Board received input from representatives of the WSCPA throughout the meeting.

Adjournment

The Board adjourned at 2:23 p.m.



Washington State Board of Accountancy

Policy Number: 2003-1

Title: Safe Harbor Report Language for Use by Non-CPAs*

Revised: October 17, 2008*

Effective: January 31, 2003

Approved:

A handwritten signature in blue ink, appearing to read "Edwin G. Jolicoeur".

Edwin G. Jolicoeur, CPA, Chair

*This policy rescinds and supersedes any previous Board policy.

Purpose:

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

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

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

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

Safe harbor report language Sample #1:

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

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

Substantially all of the disclosures and the statement of cash flows have been omitted from these statements.

(Presented in conformity with GAAP)
(Without statement of cash flows and disclosures)

Safe harbor report language Sample #2:

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

My engagement was limited to presenting in the form of financial statements information that is the representation of management (owner), and accordingly, I do not express any assurance on them.

Substantially all of the disclosures and the statement of cash flows have been omitted from these statements.

(Presented in conformity with GAAP)
(Without statement of cash flows and disclosures)



Washington State Board of Accountancy

Policy Number: 2000-1

Title: Continuing Professional Education*

Revised: ~~April 25, 2011~~ July 22, 2013

Approved: _____
~~Donald F. Aubrey~~ Emily R. Rollins, CPA,
Chair

*This policy rescinds and supersedes any previous Board policy.

Purpose:

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

I. Guidance Regarding the Appropriate Classification of a CPE Course

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

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

Generally the Board does not pre-approve programs as meeting the Board's CPE requirements. However, upon receipt of a CPE course description and outline, the Executive Director may provide informal, oral guidance regarding the appropriate classification of a course.

II. Acceptable Evidence Supporting Eligibility for CPE Credit

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

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

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

III. CPE Credit for Self Study Learning Activities

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

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

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

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

Effective: January 1, 2000

*Revised: April 25, 2011; July 18, 2008; October 27, 2006; January 31, 2005; October 31, 2003; January 31, 2003; January 25, 2002; April 27, 2001; April 28, 2000

PROCEEDINGS BEFORE THE
WASHINGTON STATE
BOARD OF ACCOUNTANCY

In the matter of the Certified Public Accountant
(CPA) Certificate and/or License(s) to practice
as a CPA of:

Myrtle M. Parent, CPA,
Individually and as Owner of
Myrtle Parent, CPA (a sole proprietorship)

Respondent.

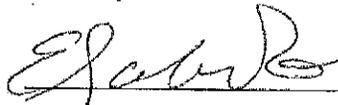
NO. ACB-1367

MOTION FOR ENTRY OF
FINDINGS OF FACT,
CONCLUSIONS OF LAW,
AND DEFAULT ORDER

COMES NOW the Washington State Board of Accountancy, appearing by and through its attorneys, ROBERT W. FERGUSON, Attorney General, and Elizabeth Thompson-Lagerberg, Assistant Attorney General, and moves the Board for entry of a default order against Respondent. This motion is based on Respondent's failure to respond to the Statement of Charges served on Respondent on April 8, 2013, on the records and files herein, and on the accompanying Declaration of Richard C. Sweeney and the documents attached thereto, which provide prima facie proof of due service, failure to respond, and of the allegations contained in the Statement of Charges and which provide the basis Findings of Fact, Conclusions of Law and Default Order proposed by this motion.

Respectfully submitted this 11th day of June, 2013.

ROBERT W. FERGUSON
Attorney General



ELIZABETH THOMPSON-LAGERBERG
WSBA # 25159
Assistant Attorney General
Attorneys for Washington State Board of Accountancy

MOTION FOR ENTRY OF ORDER
ON DEFAULT

1

ATTORNEY GENERAL OF WASHINGTON
Licensing & Administrative Law Division
1125 Washington Street SE, PO Box 40110
Olympia, WA 98504-0110
(360) 753-2702

**PROCEEDINGS BEFORE THE
WASHINGTON STATE
BOARD OF ACCOUNTANCY**

In the matter of the Certified Public Accountant
(CPA) Certificate and/or License(s) to practice as
a CPA of:

Myrtle M. Parent, CPA,
Individually and as Owner of
Myrtle Parent, CPA (a sole proprietorship)

Respondent.

NO. ACB-1367

DECLARATION OF
RICHARD C. SWEENEY

I, RICHARD C. SWEENEY declare under penalty of perjury under the Laws of Washington that the matters set forth below are based upon my own personal knowledge and on the files and records of the Washington State Board of Accountancy (Board).

1. I am the Executive Director for the Board of Accountancy in the State of Washington, and in that capacity, I am custodian of records for certified public accountants (CPAs).
2. The Washington State Board of Accountancy has jurisdiction over the certification, licensing, and discipline of CPAs in the state of Washington.
3. The Respondent, Myrtle M. Parent, held a certified public accountant (CPA) certificate and individual license (No. 03728) to practice public accounting in the state of Washington at all times relevant to this proceeding. The Respondent's license is valid through June 30, 2013. The Respondent is the sole owner of the CPA firm, Myrtle Parent, CPA (a sole proprietorship). At all times relevant to this proceeding, the CPA firm, Myrtle Parent, CPA, held a valid license (No. 1058) to practice as a CPA firm in the state of Washington. The Respondent's CPA firm license is valid through June 30, 2015.

4. For good cause, an investigation was conducted into the Respondent's practice as a CPA. The Board's investigator discovered evidence of violations of chapter 18.04 RCW and chapter 4-30 WAC as further described herein.
5. The Board mailed the Statement of Charges, Answer to Statement of Charges, Notice of Opportunity to Defend and Appendix A to the Respondent by United States certified mail, return receipt requested, and by United States first class mail on April 8, 2013, addressed to the last address the Respondent provided to the Board (1475 South Second, Walla Walla, WA 99362).
6. The certified mailing to the Respondent's last known address (1475 South Second, Walla Walla, WA 99362) was received and signed for by the Respondent on April 10, 2013. The first class mailing has not been returned to the Board.
7. The Respondent has neither answered the Statement of Charges nor requested a hearing on the matters set forth in the Statement of Charges.
8. The attached documents, Exhibits 1-12, are true and correct copies of documents that were produced or obtained in the Board's investigation regarding the circumstances described in the Statement of Charges under the above case number.
9. The attached document identified as **Exhibit 1** is a photocopy of the 2010 1040 US Individual Income Tax Return Sabrina Zapata prepared and filed electronically with the Internal Revenue Service ("IRS") under the firm name Myrtle Parent CPA. Ms. Zapata prepared and filed the return for her client Patrick C. O'Connor on or about March 9, 2011. The Respondent did not review the tax return before Ms. Zapata filed it.
10. The attached document identified as **Exhibit 2** is a photocopy of the March 9, 2011 invoice from Myrtle Parent CPA to Patrick O'Connor for the preparation of Form 1040.
11. The attached document identified as **Exhibit 3** is a photocopy of the IRS Form 1099-R from the State of Washington Department of Retirement Systems that Mr. O'Connor

provided to Ms. Zapata. The Department of Retirement Systems reported a gross distribution of \$18,198.54 and the taxable amount of \$18,102.66.

12. The attached document identified as **Exhibit 4** is a photocopy of portions of a notice dated June 11, 2012, from the IRS to Mr. O'Connor. The IRS advised Mr. O'Connor that the income and payment information the IRS had on file did not match entries on Mr. O'Connor's 2010 Form 1040. On line 16a (Pensions and annuities) of the tax return, Ms. Zapata correctly entered the gross distribution as listed on Mr. O'Connor's 1099-R from the Department of Retirement Systems. On line 16b (Taxable amount) of the tax return, Ms. Zapata failed to enter the correct taxable amount as listed on the 1099-R form. The IRS increased Mr. O'Connor's tax liability by \$4,615, assessed \$236 in interest, and assessed a \$923 accuracy penalty.
13. The attached document identified as **Exhibit 5** is a photocopy of the completed Complaint Form Mr. O'Connor submitted to the Board. The Board received Mr. O'Connor's complaint on August 13, 2012. Neither Ms. Zapata nor the Respondent responded to Mr. O'Connor's requests for help or explanation concerning the IRS' notice.
14. The attached document identified as **Exhibit 6** is a photocopy of my August 16, 2012, inquiry to the Respondent advising the Respondent of Mr. O'Connor's complaint and requesting a response by September 5, 2012. I asked the Respondent: (1) How did this type of error occur; (2) Did you review the tax return for accuracy; and (3) Who signed the return. Agency staff mailed my August 16, 2012, inquiry by U.S. First Class Mail to the last address the Respondent provided to the Board (1475 South Second, Walla Walla, WA 99362). The Respondent did not respond.
15. The attached document identified as **Exhibit 7** is a photocopy of (1) a Final Notice to the Respondent requesting a response to the August 16, 2012, inquiry by October 3, 2012; (2) the U.S. Postal Service Certified Mail Receipt showing the Final Notice was mailed to the Respondent on September 13, 2012, to the last address the Respondent provided to the

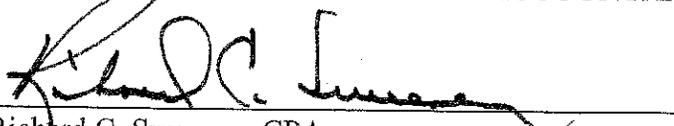
- Board (1475 South Second, Walla Walla, WA 99362); and (3) the U.S. Postal Service Domestic Return Receipt showing the certified mailing was received and signed for by an individual other than the Respondent. The first class mailing was not returned to the Board.
16. The attached document identified as **Exhibit 8** is a photocopy of the Respondent's response including the Respondent's business card and the business card of Sabrina Zapata. The Board received the Respondent's response on September 21, 2012. The Respondent advised the Board that Sabrina Zapata is the Respondent's granddaughter and maintained she is not working under the Respondent's license. The Respondent indicated they share desk, copiers, fax, printer, etc. The Respondent stated that Patrick O'Connor is her granddaughter's client and the Respondent knew nothing of their agreements.
 17. The attached document identified as **Exhibit 9** is a photocopy of the Director of Investigations' December 17, 2012, letter to the Respondent providing the Respondent with a copy of page 2 of Mr. O'Connor's 2010 1040 tax return showing the Respondent's firm in the paid preparer's portion on the form and a copy of the March 9, 2011, invoice from the Respondent's firm to Mr. O'Connor. The Director of Investigations requested the Respondent provide an explanation concerning Ms. Zapata's qualifications for tax return preparation, Ms. Zapata's practice under the Respondent's CPA firm license, the quality control procedures in force in the Respondent's practice, and the error on O'Connor's 2010 Form 1040. Agency staff mailed the December 17, 2012, inquiry by U.S. First Class Mail to the last address the Respondent provided to the Board (1475 South Second, Walla Walla, WA 99362). The Respondent did not respond.
 18. The attached document identified as **Exhibit 10** includes photocopies of: (1) a Final Notice to the Respondent requesting a response to the December 17, 2012, inquiry by February 13, 2013, and (2) the U.S. Postal Service Domestic Return Receipt showing the certified mailing was received and signed for by the Respondent on January 26. The Final Notice was mailed to the Respondent on January 24, 2013, by U.S. Certified Mail—Return

Receipt Requested and by U.S. First Class Mail to the last address the Respondent provided to the Board (1475 South Second, Walla Walla, WA 99362); and (3) The first class mailing was not returned to the Board. The Respondent did not respond.

19. The attached documents identified as **Exhibit 11** are photocopies of the Statement of Charges, Answer to Statement of Charges, Notice of Opportunity to Defend, and Appendix A, served on the Respondent.
20. The attached documents identified as **Exhibit 12** are photocopies of: (1) the Declaration of Service and (2) the U.S. Postal Service Certified Mail Receipt showing the documents described in Paragraph 18 were mailed to the Respondent on April 8, 2013, by U.S. Certified Mail—Return Receipt Requested and by U.S. First Class Mail to the last address the Respondent provided to the Board (1475 South Second, Walla Walla, WA 99362); and (3) the Domestic Return Receipt from the U.S. Postal Service showing the documents described in Paragraph 18 were received and signed for by the Respondent on April 10, 2013. The first class mailing was not returned to the Board.
21. The attached documents form the basis for the sanctions as proposed in the Statement of Charges, and these documents are submitted in support of the Board's proposed Findings of Fact, Conclusions of Law and Default Order.
22. All documents that were mailed to Respondent, as referenced herein, were mailed to the last address the Respondent provided to the Board of Accountancy (1475 South Second, Walla Walla, WA 99362). No other address for Respondent is known to the Board from its investigation of this matter.

DATED this 13TH day of June 2013, in Olympia, Washington.

WASHINGTON STATE BOARD OF ACCOUNTANCY


Richard C. Sweeney, CPA
Executive Director

EXPOSURE DRAFT

AICPA PROFESSIONAL ETHICS DIVISION

PROPOSED REVISED

**AICPA CODE OF PROFESSIONAL
CONDUCT**

April 15, 2013

Comments are requested by August 15, 2013

Prepared by the AICPA Professional Ethics Executive Committee for comments from persons interested in independence, behavioral, and technical standards matters.

Comments should be addressed to Lisa A. Snyder, director of the Professional Ethics Division, at lsnyder@aicpa.org.

AICPA

CODE OF PROFESSIONAL CONDUCT

For Exposure

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April 15, 2013

This exposure draft contains an important proposal for review and comment by the AICPA's membership and other interested parties regarding a revised AICPA Code of Professional Conduct (AICPA Code) for possible adoption by the Professional Ethics Executive Committee (PEEC). The text and an explanation of the revised AICPA Code are included in this exposure draft.

After the exposure period is concluded and PEEC has evaluated the comments, PEEC may decide to adopt and publish the revised AICPA Code.

Your comments are an important part of the standard-setting process; please take this opportunity to comment. Responses must be received at the AICPA by August 15, 2013. All written replies to this exposure draft will become part of the public record of the AICPA.

All comments received will be considered by PEEC during its subsequent open meetings.

Please send comments to Lisa A. Snyder, director of the Professional Ethics Division, via e-mail at lsnyder@aicpa.org.

Sincerely,

Wes Williams, *Chair*
AICPA Professional Ethics Executive Committee

Lisa A. Snyder, *Director*
AICPA Professional Ethics Division

Professional Ethics Executive Committee (2012–2013)

Wes Williams, *Chair*

Corey Arvizu
Martin J. Benison
Samuel L. Burke
Cassandra A. Camp
Tom Campbell
John F. Dailey, Jr.
Robert E. Denham
Raymond Johnson
Bruce J. Jorth
Brian S. Lynch

John Malahoski
Linda J. McAninch
Jarold Mittleider
Nancy Mutscher
Mary Louise Nunes
Ray Roberts
Michael Schmitz
Edward Schultz
Lawrence I. Shapiro

Codification Oversight Task Force

Wes Williams, *Chair*

Alan Steiger

Catherine R. Allen

Cassandra A. Camp

Linda J. McAninch

Raymond Johnson

Robert E. Denham

Gaylen Hansen (*Task Force Member 2008 – 2012*)

Ethics Division Project Staff

Lisa A. Snyder, CPA, *Director*

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Shannon L. Ziemba, CPA, *Technical Manager*

Virgil Webb, *Assistant General Counsel*

AICPA Ethics Codification Project State Board Advisory Group

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Edith Steele, *Former Executive Director, OK*

Kent Bailey, *Executive Director, OR*

Mark H. Crocker, *Member of TN Board*

Rona Shor, *Member of NY Board*

Susan Harris, *Executive Director MS*

Suzanne Jolicoeur, *AICPA Sr. Manager, State Regulator Outreach*

Special thanks to all the individuals, firms, and organizations that provided their valuable expertise, time, and resources to the development of this exposure draft.

Explanation for the Proposed Revised AICPA Code of Professional Conduct

The AICPA's Professional Ethics Executive Committee (PEEC) is proposing to restructure and codify the AICPA Code of Professional Conduct (AICPA Code) so that members and other users of the AICPA Code can apply the rules and reach correct conclusions more easily and intuitively. To achieve this, PEEC is proposing to restructure the AICPA Code into several parts organized by topic, edit the AICPA Code using consistent drafting and style conventions, incorporate a conceptual framework for members in public practice and in business, revise certain AICPA Code provisions to reflect the *conceptual framework* approach (also known as the *threats and safeguard* approach), and, where applicable, reference existing nonauthoritative guidance to the relevant topic. As discussed further (see the "Substantive Changes" section that follows), it is PEEC's intent to maintain the substance of the existing AICPA ethics standards. PEEC believes this was achieved; however, during the process, PEEC identified some areas that needed revision and have been highlighted as substantive changes.

AICPA Ethics Codification Project State Board Advisory Group

In an effort to ensure that state boards of accountancy were kept apprised of the project, a State Board Advisory Group was established. The State Board Advisory Group met with project staff throughout the project to provide valuable input on key issues and to assist with efforts to communicate with state boards. This group also provided project staff with feedback from the state boards and participated in the pilot testing process described in the following paragraphs.

Pilot Testing

Because the substance of the existing AICPA ethics standards was to be maintained but would be structured much differently, the restructured AICPA Code was pilot tested prior to being approved by PEEC for exposure. PEEC selected a diverse group of 40 individuals who were very familiar with the AICPA Code to review a draft version of the revised AICPA Code and comment on the technical accuracy of the provisions (for example, whether the substance or intent of a provision has changed in the drafting process), structure, format, and ease of use. The pilot testers provided valuable feedback that was incorporated into the restructured AICPA Code contained in this exposure draft.

New Structure of Code

The restructured AICPA Code is divided into separate parts. The first part is the preface which is applicable to all members and covers topics such as the structure of the AICPA Code; the principles of professional conduct; the defined terms that are used in the AICPA Code; nonauthoritative guidance; and new, revised, and pending interpretations. The remaining three parts are divided according to member's practice. Part 1 is applicable to members in public practice, part 2 is applicable to members in business, and part 3 is applicable to all other members such as those who are retired or unemployed. By structuring the AICPA Code this way, PEEC believes that members will be able to easily identify what provisions apply to them. For members who are both in public practice and in business, content that is relevant to both parts appears in the corresponding citation (an explanation of numeric citations follows). The actual content differs only where necessary (for example, part 1 might refer to a firm whereas part 2 might refer to employer).

Numeric Citations

The new citation numbering system for the AICPA Code looks like “ET section X.XXX.XXX.” The single digit that begins the citation identifies in which part the content resides. Accordingly, content from the preface begins with the single digit 0.XXX.XXX, whereas content for part 1 begins with a 1.XXX.XXX, part 2 with a 2.XXX.XXX, and part 3 with a 3.XXX.XXX. Next are two sets of three digit numbers that identify the topics and, when applicable, subtopics or sections. To facilitate use, when a topic, subtopic, or section appears in two or more parts, the same number is used.

Definitions and Cross References

Defined terms (ET section 0.400, “Definitions” [AICPA, *Professional Standards*]) are shown in italics throughout the AICPA Code. For purposes of the exposure draft, these terms are also hyperlinked to the definition; hyperlinks that do not appear in italics are cross references. If a hyperlink is selected, users can return to their previous location by selecting the “Alt” and left arrow button at the same time. When a defined term is used in the AICPA Code but is not shown in italics, the definition in ET section 0.400 would not be applicable.

Rules of Conduct

The bylaws of the AICPA require that members adhere to the rules of the AICPA Code. This has not changed with the restructured AICPA Code. However, the specific rule numbers are no longer being used. For example, Rule 101, *Independence* is now referred to as the “Independence Rule.” In addition, the manner in which the interpretations are aligned with the rules has changed. In the currently effective version of the AICPA Code, content is aligned under the applicable rules whereas in the restructured AICPA Code, the rules are aligned with the interpretations under a broad topic. For example, the “Contingent Fees Rule” and “Commission and Referral Fees Rule” and related interpretations appear under ET section 1.500, “Fees and Other Types of Remuneration” (AICPA, *Professional Standards*).

Given this construct, there are some situations in which the rule appears multiple times in the AICPA Code. For example, the “Integrity and Objectivity Rule” appears under the “Integrity and Objectivity” topic of both part 1 and part 2. However, the interpretations of this rule do not necessarily appear in both part 1 and part 2. Rather, they are aligned with the member’s practice. For example, under the “Integrity and Objectivity” topic there is a subtopic called “Conflicts of Interest” in both parts 1 and 2. In part 1, there is an interpretation that addresses conflicts of interest concerns when a member in public practice is also a director of an entity. However, this interpretation does not appear in part 2 because it would not be applicable to such members.

Finally, all ethics rulings have been redrafted as interpretations and codified under the appropriate topic.

Drafting Conventions

While redrafting the AICPA Code, a number of drafting conventions were used to enhance the clarity of the interpretations. Some of the drafting conventions are discussed in more detail in the following paragraphs. A complete guide, *Drafting Guide—Drafting Guidelines for Integrating the Conceptual Framework and Drafting Conventions and Style Guidance*, is also available at

<http://aicpa.org/InterestAreas/ProfessionalEthics/Community/DownloadableDocuments/Drafting%20Guide.pdf>.

Use of Should Consider, Consider Evaluate, or Determine

One such drafting convention is the use of the phrase *should consider*. Under the current AICPA Code, if a provision provides that a procedure or action is one that the member should consider, consideration of the procedure or action is presumptively required. Whether the member performs the procedure or action is based upon the outcome of the member's consideration and the member's professional judgment. AICPA Code provisions that (a) provide good advice to members or (b) refer the member to another ethics standard that may provide additional guidance are considered to be presumptively required and therefore, use of *should consider* is appropriate. For example, the “member should consider his or her continuing relationship with the employer...,” or the “member should consider the ‘Conflicts of Interest’ interpretation under the ‘Integrity and Objectivity Rule’...”

Alternatives to *should consider* include *should evaluate* or *should determine*, but such were used in the proposed codification only when it made sense in the context of the requirement and did not change the substance of the member’s obligation. PEEC used the following guidelines in considering the appropriate use of *consider*, *evaluate*, or *determine*:

- Use *consider* when the member is required to think about several matters.
- Use *evaluate* when the member has to assess and weigh the significance of a matter.
- Use *determine* when the member has to conclude and make a decision.

Other Drafting Conventions and Style Guidance

In addition to the *should consider* drafting convention, PEEC used the following drafting conventions, whenever possible or appropriate, to eliminate inconsistencies or to clarify the intent of interpretations:

- Use the phrase *independence would be impaired*.
- Avoid using legalistic terms (for example, *including but not limited to*).
- Use content in ethics rulings as examples in interpretations.
- Draft interpretations in active voice, in which the subject is doing the action. For example, an interpretation should read “the member should apply safeguards” rather than “safeguards should be applied by the member.”
- Do not use present tense in an interpretation with regard to member actions or procedures that the member performs. For example, the interpretation should read “the member should...” rather than “the member does...” Present tense may be used for statements of fact not related to member actions.
- Requirements should apply to the member and not to others such as a client or management because the AICPA only has jurisdiction over the member. For example, refrain from statements such as “the client must...”
- Refrain from using qualifiers such as *generally*, *ordinarily*, *normally*, and *usually* in requirements because these create ambiguity.
- Keep footnotes to a minimum; reserve them for cross-references to other standards.

Conceptual Framework

PEEC proposes to incorporate two conceptual framework interpretations into the restructured AICPA Code: one for members in public practice and another, very similar, one for members in business. In addition, for members in public practice who provide attest services to clients, there is a conceptual framework for independence that focuses on the specific threats to independence. The conceptual framework for independence is a redraft of the extant Conceptual Framework for AICPA Independence Standards (AICPA, *Professional Standards*, ET sec. 100-1). These conceptual framework interpretations are designed to assist members when they encounter a relationship or circumstance that creates threats to their compliance with the rules and when the AICPA Code contains no specific guidance to assist the member. When specific guidance is absent, under the conceptual framework interpretations, the member should evaluate whether that circumstance or relationship would lead a reasonable and informed third party that is aware of the relevant information to conclude that there is an unacceptable threat to the member's compliance with the rules.

In addition to the two conceptual framework interpretations, certain interpretations were recast to reflect the conceptual framework approach that represents a significant change. For example, the existing interpretation that prohibits a covered member from having a direct financial interest in a client is proposed to read as follows:

If a covered member had or was committed to acquire any direct financial interest in an attest client during the period of the professional engagement, the self-interest threat to the covered member's compliance with the "Independence Rule" would not be at an acceptable level and could not be reduced by the application of safeguards. Accordingly, independence would be impaired.

PEEC believes this will enhance understanding of the AICPA Code by providing additional context to the AICPA Code and guidance on the application of the framework. However, recasting will not change the substance of the existing AICPA Code by allowing members to apply judgment where none is permitted today. For example, as noted in the preceding quote, if a covered member holds stock in an audit client, the only safeguard that would eliminate or sufficiently mitigate the self-interest threat to independence would be to eliminate the interest or cease being a covered member, which is the same requirement as under the current AICPA Code. Thus, recasting does not weaken the AICPA Code or allow for judgment where none is permitted now. Some interpretations in the AICPA Code, such as those for acts discreditable, false advertising, and confidentiality, do not lend themselves to a conceptual framework approach and, as such, were not recast. For those interpretations, PEEC applied only drafting and style conventions.

Nonauthoritative Guidance

As noted above, the primary objectives of restructuring the AICPA Code is so that members and other users of the AICPA Code can apply the AICPA Code more easily thus minimizing the risk of misapplication. To assist members in understanding and applying the AICPA Code, periodically the ethics division develops nonauthoritative guidance (for example, frequently asked questions [FAQs] and Basis for Conclusions Documents) that resides outside the AICPA Code. As described in ET section 0.500, "Nonauthoritative Guidance" (AICPA, *Professional Standards*), during the restructuring, PEEC re-evaluated the nonauthoritative guidance and either

proposed that some of it be made authoritative and incorporated into the revised AICPA Code or aligned links to the nonauthoritative content with the relevant topic. Links to the nonauthoritative content appear in boxed text for clarity.

Substantive Changes

Another important goal of the restructured AICPA Code was to retain the substance of the existing AICPA ethics standards. Although PEEC believes this was achieved, during the process PEEC identified some areas that needed revision. Accordingly, the following are the areas in which substantive changes made to the AICPA Code qualify as standard-setting.

Conceptual Framework

As explained in the preceding paragraphs, PEEC added two conceptual framework interpretations to the AICPA Code: one for members in business (ET section 2.000.010, “Conceptual Framework for Members in Business” [AICPA, *Professional Standards*]) and one for members in public practice (ET section 1.000.010, “Conceptual Framework for Members in Public Practice” [AICPA, *Professional Standards*]).

To apply the conceptual framework to interpretations, PEEC incorporated new interpretations under each rule (for example, ET sections 1.100.005 and 2.100.005 [AICPA, *Professional Standards*]) that require application of the appropriate conceptual framework when there is no guidance to address a particular relationship or circumstance. These interpretations conclude that the member would be in violation of the respective rule if the member cannot demonstrate that safeguards were applied that eliminated or reduced significant threats to an acceptable level.

Self-Review Threat

When recasting the definition of *self-review threat* in paragraph .16 of ET section 1.210.010, “Conceptual Framework for Independence” (AICPA, *Professional Standards*), PEEC noted that this threat would also be present for judgments made or work performed by an individual currently with the firm who was previously associated with the client. Accordingly, the definition of *self-review threat* was expanded to cover this scenario.

The definition of *self-review threat* reads as follows in the extant AICPA Code (AICPA, *Professional Standards*, ET sec. 100-1 par. .13):

.13 *Self-review threat*—Members reviewing as part of an attest engagement evidence that results from their own, or their firm’s, nonattest work such as, preparing source documents used to generate the client’s financial statements

The definition of *self-review threat* was revised to read as follows in this exposure draft (paragraph .16 of ET section 1.210.010):

.16 *Self-review threat*. 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 an *attest engagement*. Certain self-review threats, such as preparing *source documents* used to generate the *attest client's financial statements* [ET section 1.295.120 (AICPA, *Professional Standards*)], pose such a significant self-review threat that no *safeguards* can eliminate or reduce the threats to an acceptable level.

Ethical Conflicts

The extant nonauthoritative *Guide for Complying with Rules 102-505* contains a discussion about ethical conflict resolution. PEEC believed this was important and, as such, included the discussion in both part 1 and part 2 (ET sections 1.000.020 and 2.000.020 (AICPA, *Professional Standards*), respectively.)

Attest Client

Because members do not need to be independent of all clients, PEEC decided when redrafting the independence content that the term *attest client* instead of *client* should be used so the guidance was not misapplied. Accordingly, PEEC developed a definition for the term *attest client* (ET section 0.400.03 [AICPA, *Professional Standards*]) and incorporated it where appropriate.

Director Positions

Extant Ethics Ruling No. 85, "Bank Director" (AICPA, *Professional Standards*, ET sec. 191 par. .170-.171), provides guidance on when a member in public practice serves as a director of a bank. When recasting this guidance, PEEC believed it was appropriate for the guidance to be presented more broadly so that it would apply when a member in public practice also serves as a director of any entity. Accordingly, the "Director Position" interpretation under the "Integrity and Objectivity Rule" (AICPA, *Professional Standards*, ET sec. 1.110.020) and the "Disclosing Client Information in Director Positions" interpretation under the "Confidential Client Information Rule" (AICPA, *Professional Standards*, ET sec. 1.700.080) were so revised.

Tax Power of Attorney and Prospective Clients Confidential Information

Over the years, the ethics hotline staff has received a number of inquiries regarding whether independence would be impaired if a member had power of attorney for an attest client that was limited to tax matters. Another frequently asked question is if a member may disclose confidential information from a prospective client without consent.

With respect to having a tax power of attorney, it was concluded that such would not impair independence provided the general requirements for performing nonattest services of extant Interpretation No. 101-3, "Nonattest Services," under Rule 101, Independence (AICPA, *Professional Standards*, ET sec. 101 par. .05), were applied and the client made all decisions. With respect to prospective clients, it was concluded that disclosure without consent would be a violation of the "Acts Discreditable Rule" (AICPA, *Professional Standards*, ET sec. 1.400.001).

PEEC believes members would find it helpful if these conclusions were added to the “Tax Services” interpretation under the “Independence Rule” (AICPA, *Professional Standards*, ET sec. 1.295.160) and the “Use of Confidential Information From Nonclient Sources” interpretation under the “Acts Discreditable Rule.”

False, Misleading, or Deceptive Acts

In August 2011, while approving a new interpretation (Interpretation No. 501-10, “False, misleading, or deceptive acts in promoting or marketing professional services” of Rule No. 501, Acts discreditable [AICPA, *Professional Standards*, ET sec. 501 par. .11]) that is applicable to members in business, PEEC agreed that this guidance should be applied by all members. As such, PEEC agreed the “False, Misleading, or Deceptive Acts in Promoting or Marketing Professional Services” interpretation under the “Acts Discreditable Rule” (AICPA, *Professional Standards*, ET sec. 1.400.090 and 3.400.090) should be added to parts 1 and 3 of the restructured AICPA Code as a new interpretation. The language used in these two new interpretations is consistent with the language used in the redraft of Interpretation 501-10 which is found in part 2 at ET section 2.400.090, “False, Misleading, or Deceptive Acts in Promoting or Marketing Professional Services” interpretation under the “Acts Discreditable Rule” (AICPA, *Professional Standards*).

Billing for a Subcontractor’s Services

Extant Ethics Ruling No. 186, *Billing for Subcontractor’s Services*, of ET section 591, *Ethics Rulings on Other Responsibilities and Practices* (AICPA, *Professional Standards*, ET sec. 591 par. .371–.372), concludes that when a member contracts with a computer-hardware maintenance servicer to provide support for a client’s computer operations, any increase in fee charged by the member would not be considered a commission. When recasting this guidance PEEC believed it was appropriate for the guidance to be presented more broadly so that it would apply when billing for *any* subcontractor’s services not just for a subcontractor that provides computer-hardware maintenance. Accordingly, the “Billing for a Subcontractor’s Services” interpretation under the “Commissions and Referral Fee Rule” (AICPA, *Professional Standards*, ET sec. 1.520.070) was so revised.

Attest Engagement Performed with Former Partner

Extant Ethics Ruling No. 136, *Audit with Former Partner*, of ET section 591 (AICPA, *Professional Standards*, ET sec. 591 par. .271–.272) concludes that an audit report should be presented on plain paper when a firm consisting of one certified and one non-certified partner has been dissolved and the two individuals retain the audit to service together. When recasting this guidance PEEC believed it was appropriate for the guidance to be presented more broadly so that it would not only apply to audits. Accordingly, the “Attest Engagement Performed with Former Partner” interpretation under the “Form of Organization and Name Rule” (AICPA, *Professional Standards*, ET sec. 1.810.040) was so revised.

Use of AICPA Awarded Designation

Extant Ethics Ruling No. 183, *Use of the AICPA Personal Financial Specialist Designation* (AICPA, *Professional Standards*, ET sec. 591 par. .365–.366), concludes that using the Personal Financial Specialist (PFS) designation on a firm’s letterhead and

marketing material was permissible provided all partners or shareholders of the firm have the designation and that an individual who holds the designation may use it after their name. When recasting this guidance PEEC believed it was appropriate for the guidance to be presented more broadly so that it would apply not only to the PFS designation but to any AICPA-awarded designation. Accordingly, the "Use of AICPA-Awarded Designation" interpretation under the "Advertising and Other Forms of Solicitation Rule" (AICPA, *Professional Standards*, ET sec. 1.600.030) was so revised.

Loans and Lending Institutions

The definition of *loan* was clarified to better align with the Financial Accounting Standard Board (FASB) Master Glossary definitions of *debt* and *loan*. Under the revised definition, loans continue to be considered as contractual obligations in which the borrower expects to pay and the lender has the right to receive money on demand or on a fixed or determinable date regardless of whether the loan includes a stated or implied rate of return to the lender. However, this definition would exclude debt securities held by an investor because debt securities are covered by the *financial interests* definition. Following is a marked version of how the extant definition of *loan* was revised in this exposure draft. Additions appear in ***bold italic*** and deletions are ~~stricken~~

Loan. A loan is a ***contractual obligation to pay or right to receive money on demand or on a fixed or determinable date and includes a stated or implied rate of return to the lender.*** For purposes of this definition loans ~~financial transaction,~~ the characteristics of which generally include, but are not limited to, an agreement that provides for repayment terms and a rate of interest. A loan includes, ***among other things,*** ~~but is not limited to,~~ a guarantee of a loan, a letter of credit, a line of credit, or a loan commitment. ***However, for purposes of this definition a loan would not include debt securities (which are considered a financial interest) or lease arrangement.***

Given the clarifications made to the definition of a *loan*, the committee decided to change the term in the definition *financial institution* to the term *lending institution*. Many users believed the original term, *financial institution*, was limited to a bank or similar depository institution because they make loans to the general public. Therefore, this term was revised to clarify that a lending institution is any entity that makes loans as part of its normal operations, such as banks, thrifts, credit unions, retailers that issue credit cards, or finance companies. Following is a marked version of how the extant definition of *financial institution* was revised to *lending institution* in this exposure draft. Additions appear in ***bold italic*** and deletions are ~~stricken~~.

Financial Lending Institution. A ~~financial~~***lending*** institution is considered to be an entity that, as part of its normal business operations, makes loans. ~~or extends credit to the general public.~~ ***The definition of a lending institution is not meant to include an organization which might schedule payment for services for a client over a period of time. Examples of entities that*** ~~In addition, for automobile leases addressed under interpretation 101-5, Loans From Financial Institution Clients [ET section 101.07],~~ an entity would be considered a ***financial lending***

institution *are banks, credit unions, certain retailers, insurance and finance companies. For example, for automobile leases addressed by the Loans and Leases With Lending Institutions interpretation of the "Independence Rule" (AICPA, Professional Standards, ET sec. 1.260.020), an entity would be considered a lending institution if it leases automobiles as part of its normal business operations to the general public.*

Blind Trusts

The extant Interpretation No. 101-15, "Financial Relationships" (AICPA, *Professional Standards*, ET sec. 101 par. .17), provides guidelines for determining when a trust and its underlying investments should be considered a financial interest of a covered member. The interpretation then applied the guidelines to a blind trust example.

When redrafting the trust portion of the interpretation, PEEC decided it would be more effective if the interpretation only contained the guidelines and not the blind trust example. PEEC noted that members reading the example might not realize that this is just one way in which a blind trust might be structured and as such, moved the example into a nonauthoritative FAQ. To ensure readers are aware of the FAQ a reference to the FAQ was added at the end of the "Trust Investment" interpretation (AICPA, *Professional Standards*, ET sec. 1.245.020).

The blind trust example deleted from Interpretation No. 101-15 is as follows:

In a blind trust, the grantor is also the beneficiary, but does not supervise or participate in the trust's investment decisions during the term of the trust. However, the investments will ultimately revert to the grantor, and the grantor usually retains the right to amend or revoke the trust. Therefore, both the blind trust and the underlying investments held in a blind trust are considered to be direct financial interests of the covered member.

The FAQ reads as follows:

Blind Trusts

Question. A covered member creates a blind trust and transfers assets into the blind trust. The covered member will not supervise or participate in the trust's investment decisions during the term of the trust. Will the trust and the underlying assets be considered the covered member's direct financial interests?

Answer. Although the covered member will not supervise or participate in the trust's investments decisions during the term of the trust, the trust and the underlying investments will be considered the covered member's direct financial interest if: (1) the covered member retains the right to amend or revoke the trust, or (2) the underlying trust investments will ultimately revert to the covered member as the grantor of the trust. See the Trust Investments section of the *Financial Relationships* interpretation (AICPA, *Professional Standards*, par. 17 of ET section 101) for other rights and responsibilities that would cause a trust

and the underlying investments to be considered direct financial interests of a covered member. [December 2012]

Mapping of Content to Existing AICPA Code

Because the format of the restructured AICPA Code would be changed significantly from the existing AICPA Code, PEEC has provided appendix C, "Mapping Document," that maps the content in the restructured AICPA Code to the extant AICPA Code citation. PEEC believes the mapping will assist members, regulators, and other users who, as part of their duties, need a comprehensive understanding of the changes made during the restructuring process. For example, many state boards of accountancy incorporate the AICPA Code into their statutes or regulations by reference. To continue doing so once the restructured AICPA Code is final may require these boards to take action, consistent with their states' mandates and other requirements.

In addition to the Mapping Document, there is a [bracketed citation] at the end of each restructured interpretation to the current AICPA Code content. Finally, a Draft Framework Document is available (at <http://aicpa.org/InterestAreas/ProfessionalEthics/Community/DownloadableDocuments/Preliminary%20Framework%20for%20Codification.pdf>) where the extant citation appears after the title of the restructured content.

Deleted Content

The content included in ET section 0.700, *Deleted Standards* (AICPA, *Professional Standards*), and in a document loaded to the division's website lists all the content deleted from the AICPA Code during the past 10 years as of May 31, 2013. It should be noted that the content related to client affiliates that was reestablished by PEEC at the October 2012 meeting remains on these lists. Because the content was added back to the professional standards in January 2013 (when it appeared in the *Journal of Accountancy*) and will be removed by January 1, 2014 (before the revised AICPA Code will be effective), the reestablished content is maintained in the document as deleted standards. However, the notation "*Reestablished and effective October 31, 2012 until the earlier of January 1, 2014, or adoption of Interpretation 101-18*" was added for clarification.

Content Cutoff

PEEC's goal was to include content in this exposure draft that was adopted by PEEC as of January 29, 2013, the date PEEC voted to issue this exposure draft, which includes standards expected to be released in the May 2013 *Journal of Accountancy*. The only exception is for the content that was reestablished by PEEC at the October 2012 meeting. Because this reestablished content will be deleted on January 1, 2014, before the revised AICPA Code will be effective, it was not incorporated.

Effective Date

The revised AICPA Code will be effective December 15, 2014, with an exception for the two broad conceptual frameworks ("Conceptual Framework for Members in Public Practice" and "Conceptual Framework for Members in Business"). The two broad conceptual frameworks will be given an additional one year delayed effective date.

For exposure draft purposes only, the effective date appears in brackets at the end of the applicable standard when the standard has an effective date after May 31, 2013.

Request for Specific Comments

Please review the proposal to restructure the AICPA Code and provide PEEC with feedback. Comments are welcome on all aspects of the proposal to restructure the AICPA Code; please also specifically consider the following questions:

1. Has the substance of any current interpretations or rulings, other than those indicated under the “Substantive Changes” heading, changed significantly and, if so, how?
2. Is an additional one year delayed effective date for the two broad conceptual frameworks (“Conceptual Framework for Members Public Practice” and “Conceptual Framework for Members in Business”) sufficient? If not, why, and what time period would be sufficient?

Comments should be submitted to Lisa Snyder at lsnyder@aicpa.org. In addition, if you are providing multiple comments, please submit your comments using the [Feedback Template](#) which is an Excel document.

Request Review Committee Report July 22, 2013

Karen Saunders, CPA, Chair

During the second quarter 2013, the Executive Director and a Consulting Board Member from the Request Review Committee took the following action:

CPE Extensions exceeding 16 CPE credit hours – All CPE extension requests were due on or before December 31, 2012. Staff treated any extension requests received during the 2nd quarter as self-reported CPE deficiencies and individuals were subject to reinstatement.

Firm Names: Approved:

- Laws & Associates CPA's Inc.
- Haynie & Company
- Anton & Chia, LLP
- Account on Wheels
- RAC-CPA, PLLC
- Jim MA PLLC
- Gray CPA, PC
- Addcom CPA
- Augustedge PLLC
- Julie A Russillo Accounting PLLC
- Hartley Moore Accountancy Corporation
- Friedman LLP
- The Dawson Group, PS
- Sound Sense Money Management LLC

Late Fee Waivers – Total = 3

- Individual Requests – 2
 - Approved – 2
 - Denied - 0
- Firm Request – 1
 - Approved - 0
 - Denied - 1

Professional/Educational Organization – Recognition Requests – During the 2nd quarter 2013, the Board did not receive any requests for recognition as an educational organization or professional association for purposes of obtaining a list of individual CPAs.

Domestic or International Education Credential Evaluation Services – Applications – During the 2nd quarter 2013, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

Investigation Statistics

Historical data: January 2003 through June 30, 2013

Year Opened	Number of credentialed persons (at year end)		Number of Cases		% open / Licensees
	Licensees	Certificate Holders	Opened	Closed	
2003	9,418	4,948	83	62	0.88%
2004	10,382	3,107	144	92	1.39%
2005	10,909	3,055	83	85	0.76%
2006	11,217	2,474	131	64 *	1.17%
2007	11,552	2,114	143	176 *	1.24%
2008	12,282	2,102	90	99 **	0.73%
2009	12,654	1,848	130	76 **	1.03%
2010	13,104	1,555	99	182 **	0.76%
2011	13,874	1,573	82	133 **	0.59%
2012	14,403	1,343	64	75	0.44%
2013 (to date)	14,932	1,309	29	24	0.19%
Total	14,932	1,309	1,078	1,068	7.22%
Average	12,248	2,228	98	97	0.80%

As of June 30, 2013

Active Cases	19 (open cases actively worked by Enforcement)
Pending Cases	19 (cases awaiting action/otherwise moved forward)
Total Open Cases	38

* Clean up backlog (new Executive Director)

** Interrupted by significant public records requests and litigation

Washington State Board of Accountancy

GMAP Measures as of 6/30/2013

Complaint Status Report		6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013
Intake						
Complaints Received			54	21	31	28
Complaints Dismissed			(11)	(7)	(4)	(17)
Moved to Investigation			(48)	(11)	(20)	(9)
Total Complaints Under Evaluation		32	27	30	37	39
Investigation - Developing and Developed Cases						
Cases in Development			16	20	26	19
Cases Awaiting Action			3	5	0	5
Developed Cases Moved Forward			45	6	9	14
Total Developing and Developed Cases		64	31	35	38	38
Total Complaints Under Evaluation/Development			91	61	72	77
Aging of All Developing and Developed Cases as of 6/30/2013						
> 4 Years			2	2	3	3
> 3 Years, <= 4 Years			1	1	1	1
> 2 years, <= 3 years			2	4	1	2
> 1 year, <= 2 years			9	7	6	7
< 1 year, > 180 days			50	17	4	8
<= 180 days			0	0	20	17
Total Developing and Developed Cases as of 6/30/2013		64	31	35	35	38
Classification of All Developing and Developed Cases						
Public Harm						
Negligent Performance of Attest			5	5	6	2
Negligence, Incompetence, Disregard			12	12	18	26
Use of Restricted Titles			1	2	5	3
Borrowing, Theft, Embezzlement, Breach of Fiduciary Duty			5	3	3	3
Breach of Confidentiality			0	0	0	0
Records Retention Causing Harm			1	3	2	4
Subtotal		24	25	34	38	38
Administrative						
QAR			39	1	0	0
CPE under 16 hours			0	1	0	0
CPE over 16 hours			0	1	0	0
Good Character Evaluation			1	3	1	0
Subtotal		40	6	1	0	0
Total		64	31	35	38	38
Investigations Closed - Disposition By						
Board Order/Agreed Order						
Revocation -- Public Harm			0	2	0	0
Suspension -- Public Harm			0	1	2	0
Suspension -- Other			0	2	1	0
Practice Restriction -- Public Harm			0	0	0	0
SAO -- Fine/costs/other sanctions -- Public Harm			1	0	1	0
SAO -- Fine/costs/other sanctions			0	9	3	0
Subtotal		1	14	7	0	0
Administrative Sanctions						
Reinstatements			0	0	0	0
Dismissals -- Public Harm			0	0	1	0
Dismissals			0	3	3	2
Subtotal		0	4	7	4	4
Total		1	18	14	4	4
Avg days to complete investigation (total, closed since FY 2012)		N/A	31	47	52	
Avg days to complete investigation (cases closed in given quarter)		N/A	53	73	72	
Avg age of cases closed (cases closed in a given quarter)		61	75	337	143	

based upon available data; avg investigation days = date from open - date of complete investigation