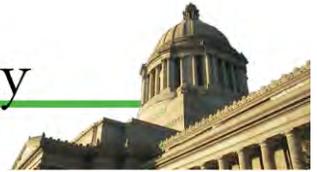


Board of Accountancy

Washington State



ANNUAL BOARD MEETING AGENDA

Date, Time: Thursday, October 13, 2011 – Annual Board Meeting – 9:00 a.m.
Location: The Doubletree Hotel Seattle Airport
Cascade 11 Room
18740 International Boulevard
SeaTac, Washington
(206) 246-8600

Chair Introductions/Special Notices

REGULAR MEETING AGENDA

1. Consent Agenda
 - a. Minutes – July 14, 2011, 2011, Regular Board MeetingA
 - b. Request Review Committee Report – Karen Saunders, ChairB
2. Motions for Entry of Order on Default
 - a. ACB-1311 – John M. CaughellC
 - b. ACB-1291 – Shaun T. Han.....D
3. Preliminary Discussions on the Blue Ribbon Panel’s Position on Big GAAP vs. Little GAAP.....E
4. NASBA Update
5. Legal Counsel’s Report
6. Chair’s Report
 - a. Election of 2012 Officers
 - b. 2012 Board Meeting Schedule and Location
 - c. Meeting with the Oregon State Board of Accountancy
 - d. Other
7. Committee/Task Force Reports
 - a. Compliance Assurance Oversight – Fred Shanafelt, CPA, Chair – *No Report*
 - b. Education/Exam Task Force – Elizabeth Masnari, CPA, Board Liaison – *No report*
 - c. Ethics Committee – Richard Sweeney, Chair – *Update*F
 - d. Legislative Liaison – Edwin Jolicoeur, CPA, Chair – *Update*
 - e. Performance Review Task Force - Edwin Jolicoeur, CPA, Chair – *Report*.....G
 - f. Quality Assurance Review (QAR) – Emily Rollins, CPA, Co-Chair
 - i. 2011 QAR Desk Review – *Update*.....H
 - ii. CPE Audit – *No Report*
 - g. Request Review – Karen Saunders, CPA, Chair - *See Consent Agenda – Vote*

The Board of Accountancy schedules all public meetings at barrier free sites. Persons who need special assistance, such as enlarged type materials, please contact the Board’s Americans with Disabilities Act contact person:

Cheryl Sexton, Washington State Board of Accountancy
PO Box 9131, Olympia, WA 98507-9131
360/664-9194 Voice 360/664-9190 Fax

800/833-6388 (TT service) 800/833-6385 (Telebraille service)
(TT and Telebraille service nation wide by
Washington Telecom Relay Service)

**WASHINGTON STATE
BOARD OF ACCOUNTANCY
EXECUTIVE DIRECTOR'S SUMMARY – October 13, 2011
ANNUAL BOARD MEETING**

Day, time, location, special notices:

Meeting: **Thursday, October 13, 2011 - 9:00 a.m.**
Location: **The Doubletree Hotel Seattle Airport**
Cascade 11
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 discussions on 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.

OCTOBER 13, 2011 - ANNUAL BOARD MEETING

1. Consent Agenda

- a. **Minutes – July 14, 2011** - Board staff presents the draft minutes from the July 14, 2011, regular Board meeting at **Tab A** for the Board's consideration.
- b. **Request Review Committee** - The Request Review Committee presents its report at **Tab B** for the Board's consideration.

Does the Board wish to approve the Consent Agenda as presented?

2. Motions for Entry of Order on Default

- a. **ACB-1311 John M. Caughell (Case # 2010-092) – Tab C**

Tab C contains a packet of documentation relating to the proceedings concerning John M. Caughell. The packet contains:

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

Ed Jolicoeur is the Consulting Board Member and will not participate in discussions.

Does the Board wish to enter an order based on your review of this material?

b. ACB-1291 Shaun T. Han (Case # 2010-020) – Tab D

Tab D contains a packet of documentation relating to the proceedings concerning Shaun T. Han. The packet contains:

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

Emily Rollins is the Consulting Board Member and will not participate in discussions.

Does the Board wish to enter an order based on your review of this material?

3. Preliminary discussions on the Blue Ribbon Panel’s Position on Big GAAP vs. Little GAAP – Tab E

Tab E contains:

- A statement from the NASBA Executive Committee including a brief summary of the Financial Accounting Foundation (FAF) proposal “Plan to Establish the Private Company Standards Improvement Council”
- The FAF Proposal
- The Blue Ribbon Panel Positions of the Minority and Majority Views, i.e. the big GAAP vs. little GAAP issue for Public vs. Private companies.

The FAF Board of Trustees is encouraging Boards to deliberate and comment on the FAF's recommendations. The comment period ends January 14, 2012.

If you have comments, please forward them to the Executive Director. He will consolidate the comments and include them in a letter under the Chair’s signature.

4. NASBA – Update – The Executive Director will provide a verbal update on NASBA activities.

5. 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.

6. CHAIR'S REPORT

a. Election of 2012 Officers

The Board must vote in officers for calendar year 2012:

Chair	_____
Vice-Chair	_____
Secretary	_____

The newly elected officers will assume their duties on January 1, 2012.

b. 2012 Board Meetings – Location - Board meeting dates are set by Board rule as the last Friday of the month in the months of January, April, July, and October or as otherwise determined by the Board. Travel on Fridays is difficult for those members traveling from eastern Washington. The Executive Director recommends the following dates and locations:

Thursday, January 26	SeaTac area
Thursday, April 26	SeaTac area
Thursday, July 26	SeaTac area
Thursday, October 25	SeaTac area

For your reference, 2012 NASBA meetings that you may need to consider when setting the 2012 Board meeting dates:

- January Board of Directors – 2012 date not available
- April Board of Directors – 2012 date not available
- Western Regional Meeting – Anchorage, Alaska – June 17-29, 2012
- July Board of Directors - 2012 date not available
- October Board of Directors – 2012 date not available
- 105th Annual Meeting – 2012 date not available

c. Meeting with the Oregon State Board of Accountancy – On October 1, 2011, the Oregon and Washington Boards of Accountancy held a joint work session at the Oregon Society of CPAs' office in Beaverton. The Board Chair and the Executive Director represented the Washington Board at the work session. Don will report.

d. **Other**

7. **Committee Reports**

a. **Compliance Assurance Oversight** – Fred Shanafelt, CPA, Chair.

Fred has nothing to report at this meeting. He and his committee members continue to attend Report Acceptance Bodies (RAB) meetings.

b. **Education/Exam Task Force** – Elizabeth Masnari, CPA, Board Liaison; Robin Clark, CPA, Chair, Ronald Sabado, CPA, and Kay Carnes, CPA, Members.

Elizabeth and Robin have nothing to report for this meeting.

c. **Ethics Committee** – Richard Sweeney, CPA, Chair.

Tab F contains the agency's Administrative Policy #21. To expedite approval, small agency directors all established the agency director as the chair. The Executive Director asked Tom Neill to sit on this committee and he consented. The Executive Director recommends that the Board appoint Tom Neill as chair. He also suggests that the Executive Director serve as ex-officio liaison with the agency.

Does the Board wish to make appointments to the Ethics Committee including Tom Neill as chair, other members, and the Executive Director as ex-officio liaison?

d. **Legislative Liaison Committee** – Edwin G. Jolicoeur, CPA, Chair; and Jerry Ryles, Member.

The Executive Director plans to report that he has not initiated any agency request legislation for the 2012 legislative session. The Legislature and Governor are currently focusing on budget and related policy decisions. Proposed changes to the Act are not prudent at this time. The deadline for agency request packages with statutory changes that do not have fiscal impacts was September 28, 2011. Agency request packages with a supplemental budget impact are due on October 10, 2011.

Ed Jolicoeur will make a brief report on the WSCPA's "CPA retired" task force meeting held on September 9, 2011. Ed, Tom Neill, and Jerry Ryles are the representatives for the Board serving on the task force.

e. **Performance Review Task Force** – Ed Jolicoeur, CPA, Leader; Members: Gerald Ryles; Karen Saunders, CPA; Judy Love, WSCPA; and Bea Nahon, CPA.

Tab G contains the Performance Review Task Force report. This report provides a summary of the recommendations included in the Performance Review Project report of Zwillinger Greek Zwillinger & Knecht PC dated July 2010, and the subsequent evaluation and recommendations made by the Board's Performance Review Task Force.

Does the Board wish to take any action on the Task Force recommendations?

- f. **Quality Assurance Review (QAR) Committee** – Emily Rollins, CPA and Robert Speicher, CPA, Co-Chairs; Members: Edwin Jolicoeur, CPA, and Elizabeth Masnari, CPA.

i. **2011 QAR Desk Review** – **Tab H** contains:

- QAR Statistics – 2011 Cycle as of August 21, 2011
- QAR Historical Grades
- QAR Historical Grade Review as of August 21, 2011
- Five-Year Comparative Statistics

The QAR Committee will hold its annual meeting on Monday, October 10 at the Board's office. Emily will report.

- ii. **CPE Audit** – The 2011 CPE audit is underway. There is nothing to report for this meeting.

- g. **Request Review** – Karen Saunders, CPA, Chair; Laurie Tish, CPA, and Gerald Ryles, Members.

See Consent Agenda, Item 1.b., above.

8. Executive Director's Report

- a. **Budget** – The Executive Director will provide the Board with an update on the status of the agency's budget.

- b. **Investigation Statistics/Investigations & Administrative Sanctions** –

Tab I contains the following:

- Case Status Report for the period ended September 30, 2011
- Investigations Results/Statistics through September 30, 2011 as posted on the Board's web site
- Investigation Statistics January 1990 through September 30, 2010

The Executive Director will report.

- c. **Meeting with Board Officers** – The Executive Director plans to meet with the Board officers on Tuesday, October 11, 2011. The Executive Director

will report.

- d. **WBOA-News** – As of October 5, 2011, 1704 individuals have subscribed. This is a net increase of 19 individuals since July 8, 2011 – 1%.
- e. **Other**

9. 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.

10. 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

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

Time and Place of Meeting	9:02 a.m. – 1:30 p.m. Thursday, July 14, 2011 Washington State Criminal Justice Training Commission Classroom # C-226 19010 First Ave So Burien, Washington
Attendance	Donald F. Aubrey, CPA, Chair Robert G. Hutchins, Vice Chair, Public Board Member Lauren C. Jassny, Secretary, Public Board Member Edwin G. Jolicoeur, CPA, Board Member Elizabeth D. Masnari, CPA, Board Member Thomas G. Neill, CPA, Board Member Emily R. Rollins, CPA, Board Member (Arrived at approximately 9:45 a.m.) Gerald F. Ryles, Public Board Member Karen G. Saunders, CPA, Board Member Bruce L. Turcott, Assistant Attorney General Richard C. Sweeney, CPA, Executive Director Thomas J. Sadler, CPA, Deputy Director Cheryl M. Sexton, Executive Assistant, Board Staff Lori M. Mickelson, Fiscal Manager, Board Staff Kelly Wulfekuhle, Customer Service Specialist, Board Staff George F. Shanafelt, CPA, Chair, Compliance Assurance Oversight Committee
Call to Order	Donald Aubrey, Chair, called the regular meeting of the Board to order at 9:02 a.m.
Welcome New Board Member	The Board Chair welcomed new Board Member Thomas G. Neill, CPA, to the Board. Governor Gregoire appointed Tom to the Board effective June 10, 2011.
Consent Agenda	The Board approved the following items on the consent agenda: <ul style="list-style-type: none">• Minutes of the April 25, 2011, Regular Board Meeting• Request Review Committee Report
Motions for Entry of Order on Default – Richard Charles Cornwell	The Executive Director presented a Motion for Entry of Order on Default and related documents to the Board in the matter of Richard Charles Cornwell. The Board entered Findings of Fact, Conclusions of Law and Default Order suspending Mr. Cornwell's CPA certificate and individual license to practice public accounting for five years. Prior to and as a condition of

reinstatement, Mr. Cornwell must submit a complete reinstatement application with appropriate fee(s), document the satisfactory completion of qualifying continuing professional education (CPE) required for reinstatement, pay a \$3,000 fine, reimburse the Board \$1,000 for investigative and legal costs, satisfy any other requirements imposed by the Board, and not violate the Public Accountancy Act or Board rules.

Appendix A – to Delegations of Authority for Administrative Notices of Non-Compliance and Respondent Agreements

The Executive Director presented proposed revisions to Appendix A of the Board’s delegation to the Executive Director with concurrence of one Board Member to issue administration notices on non-compliance and respondent agreements. The Executive Director highlighted proposed changes to # 9 and # 14. The Board approved the appendix as revised with the understanding that the Executive Director and Consulting Board Member may use their discretion when imposing any administrative sanction.

Misleading Firm Names – Proposed Revisions to UAA and Model Rules

The Executive Director reported on proposed revisions to the Uniform Accountancy Act (UAA) and the UAA Model Rules regarding guidelines as to what are and what are not misleading CPA firm names. Current Board rules address misleading firm names but do not specifically address networks and network firms so other rules such as the AICPA’s Interpretation No. 101-17 apply. The agency is currently under a rule moratorium. The Executive Director believes the issues will resurface.

Ed Jolicoeur reported that he currently serves on the UAA Joint Task Force that is tasked with defining attest services.

NASBA Update

The Executive Director provided the Board with an update on National Association of State Boards of Accountancy (NASBA) activities including the Relevance and Effectiveness Committee’s work concerning the independence of accountancy boards.

Legal Counsel’s Report

Bruce Turcott, the Board’s legal counsel, provided the Board with an update on outstanding litigation and recent court rulings.

Chair’s Report

The Chair reported on:

- A meeting with Legislative Representative Luis Moscoso
- A meeting with a representative from the Governor’s office
- Changes to Circular 230 concerning Preparer Tax Identification Number (PTIN) registration

- Future Board member training on disciplinary procedures at the January 2012 Board meeting.

Compliance Assurance Oversight Committee

Committee Chair Fred Shanafelt provided an annual report on oversight of the AICPA Peer Review Program for the period February 1, 2010, through May 31, 2011.

Education Exam Task Force

Washington State Legislation - The Education/Examination Task Force identified emerging issues related to educational qualifications to take the CPA examination including legislation passed by the 2011 Washington State Legislature concerning accelerated baccalaureate degrees and postsecondary credit opportunities for high school students. The Board directed the Task Force to analyze the emerging education issues including:

- The impact of the recent legislation
- The content of current academic course materials including those materials provided online and whether that content is adequate to satisfy current Board rule
- The 120 semester hour requirement vs. the 150 semester hour requirement

The Board asked the Task Force to, report back to the Board with recommended changes to Board rules, if necessary.

Foreign Education Evaluation Issues –Board staff has concerns that evaluations by recognized educational evaluation services are inconsistent and contrary to Board rule. The Board directed the Executive Director to work with evaluators by whatever means deemed necessary to advise the evaluation services of the Board’s education rules and required adherence.

Legislative Liaison Committee

Committee Chair Ed Jolicoeur reported that pending legislation might be considered if the Board determines this is the time to present agency request legislation for the 2013 Legislative Session regarding diagnostic medical information and financial information (including estate distribution plans) provided to the Board by complainants and regulated individuals related to matters before the Board. The Executive Director will circulate draft legislation to Board members for consideration at a special meeting of the Board. Agency request legislation is due to the Governor’s office in September.

A joint task force consisting of representatives from the Washington Society of CPAs (WSCPA) and the Board is going to look into a “CPA retired” status and possible changes to the Public Accountancy Act or Board rules. Ed Jolicoeur and

Tom Neill volunteered to represent the Board. Ed offered to serve as chair.

**Performance
Review Task
Force**

Task Force Leader Ed Jolicoeur reported that the task force has made a lot of progress. Ed visited the Olympia Board office on June 1 and the task force met on June 27. The Task Force's goal is make a report with recommendations to the Board at its October 13, 2011, meeting.

**Quality
Assurance
Review (QAR)
Committee**

2011 QAR Desk Review – Committee Chair Emily Rollins reported on the Board's annual desk review held June 8 and 9, 2011, at Highline Community College in Des Moines. Emily provided the Board with initial statistics and Emily reported that 22 reports did not include the revised reporting language required by SSARS #19 or included the revised reporting language prematurely. Reviewers did not have any other comments for six of those reports. The Board determined those reports should be graded "acceptable with comments."

2010 CPE Audit – Committee Chair Emily Rollins presented expanded statistics to the Board providing the Board with historical information for CPE audit. Emily reported that 120 individuals will be included in the 2011 CPE audit – 100 randomly selected and 20 included due to enforcement or extension request follow-up.

**Request Review
Committee**

The following report was approved under the consent agenda:

CPE Extensions – All CPE extension requests were due on or before December 31, 2010. Staff treated any extension requests received during 2nd quarter 2011 as self-reported CPE deficiencies and subject to reinstatement.

Firm Names – The Executive Director and a Consulting Board member approved the following firm names during 2nd quarter 2011:

- 501CPAS LLC
- Allied Financial & Tax Services Inc.
- Arise Business Solutions, LLC, A Certified Public Accounting Firm
- Dixon Hughes Goodman LLP
- Fairwood CPA Services Inc. P.S.
- Fairwood CPA Services PLLC
- Fairwood Financial Services David A. Williams, CPA, CFP
- Fairwood Financial Services, PLLC
- Geffen Mesher & Co PC

- Jim Douthitt Consulting Services
- Lenning & Co. Inc.
- Mazars LLP
- Muckley Financial Services LLC
- Myers, Brettholtz & Company, PA
- RJG, A Professional Corporation

Late Fee Waivers – During 2nd quarter 2011, the Board received two QAR late fee waiver requests. The Executive Director and a consulting board Member approved them.

Professional/Educational Organization – Recognition Requests – During the 2nd quarter 2011, the Board received one request from Clemson University for recognition as an educational organization or professional association for purposes of obtaining a list of individual CPAs. The Executive Director and a Consulting Board Member approved the request.

**Executive
Director's
Report**

Budget Update – The Executive Director reported:

- Authorization to Hire – The Office of Financial Management (OFM) and the Department of Personnel (DOP) have given the Executive Director authorization to hire an administrative assistant to the Executive Director to serve as the agency's public records officer and to develop recommendations for agency reorganization and plan for succession.
- Enforcement Budget – The Executive Director provided the Board an Allocable costs to Investigations, Enforcement, Sanction Monitoring, and Resolution Schedule. The agency is spending approximately 20% of its budget on enforcement.

Investigation Statistics/Investigations & Administrative Sanctions

The Executive Director provided the following reports to the Board:

- Case Status Report through June 30, 2011
- Investigation Results/Statistics through June 30, 2011, as published on the Board's web site
- Investigation Statistics January 1990 through June 30, 2011

The Executive Director reported that the above statistics do not include all administrative sanctions imposed.

Definitions for Types of Violations – The Executive Director presented Agency Classification of Investigation Recommended by the Executive Director for the Board's consideration. The

Minutes, July 14, 2011, Regular Board Meeting

Executive Director recommends classifying investigations as:

- Potential or Immediate Public Harm Investigations
- Pending Investigations
- Compliance Investigations

Renewal Cycle and Online Services – The Executive Director provided the Board with renewal statistics including the fact that 98% of the 2011 renewal applications received were through the online service system rather than paper.

Meeting with Board Officers – The Executive Director and Board Officers did not meet prior to the meeting. The Board's Chair visited the Board's office on July 8, 2011.

WBOA-News – As of July 8, 2011, 1685 individuals have subscribed. This is a net increase of 17 individuals since April 15, 2011 – 1%.

- Public Input** Judy Love with the Washington Society of CPAs (WSCPAs) provided input throughout the meeting.
- Adjournment** The Board adjourned at 1:30 p.m.

Request Review Committee Report October 13, 2011

Karen Saunders, CPA, Chair

CPE Extensions exceeding 16 CPE credit hours – No activity during 3rd quarter 2011. All CPE extension requests were due on or before December 31, 2010.

Firm Names – The Executive Director and a Consulting Board member approved the following firm names during 3rd quarter 2011:

- Campbell Management Advisory Services, PS
- Budd Bay CPA, Inc PS
- CPA – Tax Services
- CPA – Career Center
- Rahn Business Valuation Services
- VSH, Inc. P.S.
- RLP Tax and Accounting PLLC
- Sattler Assoc Accounting PLLC
- Doty & Company CPA PC

Late Fee Waivers – No activity during 3rd quarter 2011

Professional/Educational Organization – Recognition Requests – During the 3rd quarter 2011, 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 Foreign Education Credential Evaluation Services – Applications – During the 3rd quarter 2011, the Board received two application for approval. The committee is currently seeking recommendations from other state boards.

**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 or CPA
Firm of:

John M. Caughell,

Respondent.

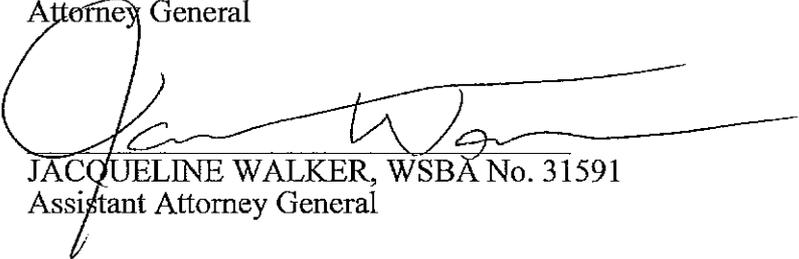
NO. ACB-1311

MOTION FOR ENTRY OF
ORDER ON DEFAULT

COMES NOW the Washington State Board of Accountancy, appearing by and through its attorneys, ROBERT M. MCKENNA, Attorney General, and Jacqueline Walker, Assistant Attorney General, and moves the Board for entry of a final order against Respondent. This motion is based on Respondent's failure to respond to the Statement of Charges served on him on June 6, 2011, 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 service and of the allegations contained in the Statement of Charges.

Respectfully submitted this 6th day of September, 2011.

ROBERT M. MCKENNA
Attorney General


JACQUELINE WALKER, WSBA No. 31591
Assistant Attorney General

**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 or CPA
Firm of:

John M. Caughell,

Respondent.

NO. ACB-1311

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.
2. The Washington State Board of Accountancy has jurisdiction over the certification, licensing, and discipline of certified public accountants in the State of Washington.
3. On August 26, 2004, the Board issued a license (No. 24738) to practice as a Certified Public Accountant (CPA) in the state of Washington to the Respondent, John M. Caughell. The Respondent's individual license to practice public accounting as a CPA lapsed on June 30, 2010, due to the Respondent's failure to renew.
4. The Board mailed the Statement of Charges, Answer to Statement of Charges, Notice of Opportunity to Defend and Appendix A to Respondent by United States certified mail, return receipt requested, and by United States first class mail on June 6, 2011, addressed to the last address Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662) and to an address the Respondent provided to the Washington State Secretary of State, Corporations Division (17703 NE 31st St, Vancouver, WA 98632).

5. The certified mailing to the last address the Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662) was returned unopened to the Board on June 14, 2011, by the United States Postal Service marked “NOT DELIVERABLE AS ADDRESSED UNABLE TO FORWARD.” The first class mailing to the last address the Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662) has not been returned to the Board.
6. The certified mailing to an address the Respondent provided to the Washington State Secretary of State, Corporations Division (17703 NE 31st St, Vancouver, WA 98632) was received and signed by “J. Caughell” on June 8, 2011.
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 1-11, 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 documents identified as **Exhibit 1** are photocopies of the November 15, 2010, and January 24, 2011, postings to the Washington State Secretary of State Corporations Division’s web site showing that the legal entity “John M. Caughell CPA PC” located in Vancouver Washington filed with Washington State on June 26, 2009, and with an expiration date of June 30, 2011. The Respondent was listed as the president and secretary of the corporation.
10. The attached document identified as **Exhibit 2** is a photocopy of the November 15, 2010, posting to the Washington State Department of Revenue’s web site listing the legal entity “John M. Caughell CPA PC” located in Vancouver Washington as doing business as Constant Profit Advisors. The account was opened July 1, 2009, and was listed as “open.”

11. The attached document identified as **Exhibit 3** is a photocopy of the November 15, 2010, posting to the Washington State Department of Licensing's Master License Service web site listing the Washington State Business with the entity name as "John M. Caughell CPA PC" and the firm name as "Constant Profit Advisors" located in Vancouver Washington. John M. Caughell CPA PC does not hold a license to practice as a CPA firm in Washington State nor has the Respondent made application for a CPA firm in Washington State or registered the Vancouver, Washington office with the Board.
12. The attached document identified as **Exhibit 4** is a photocopy of Constant Profit Advisors' (<http://www.constprofit.biz>) web site on October 12, 2010, publicizing that "Constant Profit Advisors is a Vancouver, Washington based CPA firm . . ." and "offer traditional Certified Public Accounting services." The Respondent was listed as the Director of Business Development for the firm. Constant Profit Advisors does not hold a license to practice as a CPA firm in Washington State nor has the Respondent made application for a CPA firm in Washington State or registered the Vancouver, Washington office with the Board.
13. The attached document identified as **Exhibit 5** is a photocopy of a Board inquiry dated November 17, 2010, requesting the Respondent to provide in writing a full and complete explanation regarding the Respondent's use of the CPA title without the benefit of a valid license, the Respondent's failure to obtain a CPA firm license, and the specific services Constant Profit Advisors offered. The inquiry was sent to the last address the Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662). The Respondent's response was due November 27, 2010. The Respondent did not respond to the inquiry.
14. The attached document identified as **Exhibit 6** are photocopies of (1) a Final Notice the Board mailed to the Respondent on November 30, 2010, by U.S. Certified Mail—Return Receipt Requested and by U.S. First Class Mail, (2) the U.S. Postal Service Certified Mail

Receipt, and (3) the November 30, 2010, mailing via U.S. Certified Mail the U.S. Postal Service returned to the Board's office unopened and marked "UNCLAIMED" and "UNABLE TO FORWARD" after two notices. The Board mailed the November 30, 2010, Final Notice to the last address the Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662). The Respondent's response was due December 20, 2010. The Respondent did not respond. The first class mailing was not returned to the Board.

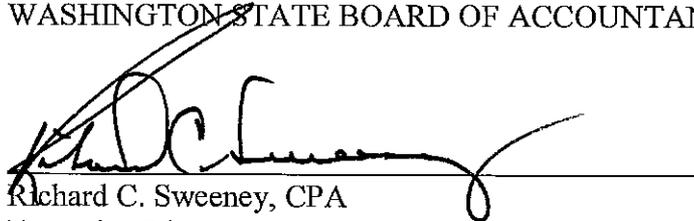
15. The attached documents identified as **Exhibit 7** are photocopies of (1) a December 22, 2010, email to the Respondent providing the Respondent with the Board's November 17, 2010, and November 30, 2011, inquiries described in Paragraphs 13 and 14; and (2) the Respondent's December 29, 2010, response. The Respondent responded and advised the Board that he had allowed his license to lapse, started with a new company in a nonaccounting position in August, and had no plans or intentions to return to public accounting for personal reasons. The Respondent also advised the Board that the web site for Constant Profit Advisors would be changed to remove all references to "cpa." The Respondent did not provide a complete written response to the Board's November 17, 2010, and November 30, 2010, inquiries including the specific services Constant Profit Advisors offered.
16. The attached documents identified as **Exhibit 8** are photocopies of the State of Oregon Board of Accountancy's (1) February 22, 2011, Default Final Order (Case No. N-08-091) suspending the Respondent's CPA license (#8714) until the Board receives payment in full of a civil penalty and interest for failure to provide written notice of an address change and meets reinstatement requirements; and (2) Final Order (O-08-062) dated September 10, 2008.

17. The attached documents identified as **Exhibit 9** are photocopies of (1) a May 24, 2011, email to the Respondent asking the Respondent if Constant Profit Advisors ever offer to perform or perform attest services or compilation services; and (2) a receipt showing the email was read on May 24, 2011 at 3:01 PM. The Respondent did not respond.
18. The attached document identified as **Exhibit 10** are photocopies of the Statement of Charges, Answer to Statement of Charges, Notice of Opportunity to Defend, Appendix A, and Declaration of Service mailed to the Respondent on June 6, 2011, addressed to the last address Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662) and to an address the Respondent provided to the Washington State Secretary of State, Corporations Division (17703 NE 31st St, Vancouver, WA 98632).
19. The attached documents identified as **Exhibit 11** are photocopies of: (1) the U.S. Postal Service Certified Mail Receipts showing the documents described in Paragraph 18 were mailed to the last address the Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662) and to an address the Respondent provided to the Washington State Secretary of State, Corporations Division (17703 NE 31st St, Vancouver, WA 98632) on June 6, 2011; (2) the unopened envelope containing the documents described in Paragraph 18 mailed to the Respondent at the last address Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662). The U.S. Postal Service returned the June 6, 2011, mailing to the Board's office unopened and marked "NOT DELIVERABLE AS ADDRESSED UNABLE TO FORWARD" on June 14, 2011; and (3) the U.S. Postal Service Certified Mail Receipt showing the documents described in Paragraph 18 were received at the address the Respondent provided to the Washington State Secretary of State, Corporations Division (17703 NE 31st St, Vancouver, WA 98632) on June 8, 2011, by "J. Caughell." The first class mailings were not returned to the Board.

20. The attached documents form the basis for the Board of Accountancy's request for sanctions and are submitted in support of the Board's proposed Findings of Fact, Conclusions of Law and Default Order.
21. All documents that were mailed to Respondent, as referenced herein, were mailed to the last address the Respondent provided to the Board of Accountancy (7600 NE 41st Street Suite 155, Vancouver, WA 98662 and to an address the Respondent provided to the Washington State Secretary of State, Corporations Division (17703 NE 31st St, Vancouver, WA 98632). No other address for Respondent is known to the Board from its investigation of this matter.
22. The Washington State Board of Accountancy requests that the Board impose the sanctions set forth in the proposed Findings of Fact, Conclusions of Law and Default Order.

DATED this 19th day of September, 2011, in Olympia, Washington.

WASHINGTON STATE BOARD OF ACCOUNTANCY



Richard C. Sweeney, CPA
Executive Director

Corporations: Registration Detail

Corporations Division - Registration Data Search

Neither the State of Washington nor any agency, officer, or employee of the State of Washington warrants the accuracy, reliability, or timeliness of any information in the Public Access System and shall not be liable for any losses caused by such reliance on the accuracy, reliability, or timeliness of such information. While every effort is made to ensure the accuracy of this information, portions may be incorrect or not current. Any person or entity who relies on information obtained from the System does so at his or her own risk.

JOHN M. CAUGHELL CPA, P.C.

UBI Number	602934629
Category	PRO
Profit/Nonprofit	Profit
Active/Inactive	Active
State Of Incorporation	WA
WA Filing Date	06/26/2009
Expiration Date	06/30/2011
Inactive Date	
Registered Agent Information	
Agent Name	LARRY E HAZEN
Address	1014 FRANKLIN ST
City	VANCOUVER
State	WA
ZIP	98660
Special Address Information	
Address	
City	
State	
Zip	

Governing Persons

11/15/2010

Title	Name	Address
President	Caughell, John	17703 NE 31st St VANCOUVER, WA

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You can find this information at: http://www.sos.wa.gov/corps/search_detail.aspx?ubi=602934629



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Corporations Division - Registration Data Search

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JOHN M. CAUGHELL, CPA, P.C.

UBI Number 602934629
 Category PRO
 Profit/Nonprofit Profit
 Active/Inactive Active
 State Of Incorporation WA
 WA Filing Date 08/26/2009
 Expiration Date 08/30/2011
 Inactive Date
 Registered Agent Information
 Agent Name LARRY E HAZEN
 Address 1014 FRANKLIN ST
 City VANCOUVER
 State WA
 ZIP 98680
 Special Address Information
 Address
 City
 State
 Zip

Governing Persons

Title	Name	Address
President, Secretary	Caughell, John	17703 NE 31st St VANCOUVER, WA

[Purchase Documents for this Corporation »](#)

[« Return to Search List](#)

Washington State Department of Revenue State Business Records Database Detail

TAX REGISTRATION NO:	602934629	ACCOUNT OPENED:	07/01/2009
UBI:	602934629	ACCOUNT CLOSED:	OPEN
LEGAL ENTITY:	JOHN M CAUGHELL CPA P C		
DOING BUSINESS AS:	CONSTANT PROFIT ADVISORS		

MAILING ADDRESS:	BUSINESS LOCATION:
7600 NE 41ST ST STE 155	7600 NE 41ST ST STE 155
VANCOUVER, WA 98662-6772	VANCOUVER, WA 98662-6772

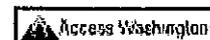
OWNER TYPE:	CORPORATION	RESELLER PERMIT NO:	N/A
NAICS CODE:	541611	PERMIT EFFECTIVE:	N/A
		PERMIT EXPIRES:	N/A

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11/15/2010 6:15 PM

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 (Secretary of State)

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License Detail

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License Information:

Entity Name: JOHN M. CAUGHELL CPA, P.C.
Firm Name: CONSTANT PROFIT ADVISORS
License Type: Washington State Business
Entity Type: Professional Service Corporation
UBI: 602934629 Business ID:001 Location ID:0001
Status: To check the status of this company, go to [Secretary of State.](#)

Location Address:

7800 NE 41ST ST STE 155
VANCOUVER, WA, 98662-6772

Mailing Address:

7800 NE 41ST ST STE 155
VANCOUVER, WA, 98662-6772

Governing People:

JOHN M CAUGHELL

Registered Trade Names:

CONSTANT PROFIT ADVISORS
GOLD STANDARD TAX ADVISORS

Information Current as of 11/15/2010 4:36AM Pacific Time

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11/15/2010



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What Worries You about Your Business?

- Does your business seem like one crisis after another?
- Are you bombarded with confusing reports?
- Do you feel overwhelmed with details and can't focus?
- Is cash flow critical to support your growth?
- Is there a strong strategy keeping the Company focused?

Let Constant Profit Advisors Help you Get Control

A Focus on Profit, Planning and Communication

Constant Profit Advisors is a Vancouver, Washington based CPA firm that focuses on helping you consistently maximize profits. By focusing on profits, we help you better understand your investment decisions and evaluate your business processes.

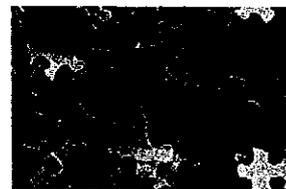
While we offer traditional Certified Public Accounting services to Companies in the Portland, Oregon metro area, we are not a traditional public accounting firm. We place a premium on planning and communication. As a Constant Profit Advisor's client, you receive practical personal advice on maximizing your business most precious assets.

As you read our research papers you begin to see how we approach problems from our unique perspective. We challenge the status quo by focusing on your strategy and the plans that are needed to make your strategy reality. We love to communicate our belief that your business is magical and has something wonderful to share.

Accounting for Today's Lean Business

Have you wondered if your accounting system gives you the best information for making decisions for your company? You have felt it, that nagging suspicion that accounting just doesn't give the right answer to some of your more difficult issues. Things like, what happens if I lower my price, what happens if I cut time on a process, or invest in a new asset. Accounting says one thing, your gut says another. And it is hard to argue with the accountants who control your business right?

We believe that your accounting system must give you meaningful information to help you make those difficult decisions. Our approach as your Controller/CFO is to help you identify those resources that have limited supply and make sure they are



Take Control Today

Do You Know Your Constraint

What stops your business from growing? That's right, a lack of access to money. Let's face it, today's reality is that you cannot borrow your way out of this problem. Nor can you afford to gamble on expansion plans that have not been challenged. You need to know how best to deploy your most precious resource so that your business grows in even this challenging economy.

If you are ready to take charge, we help you identify the major constraints and work with you to elevate your profitability by

- Increasing sales to your profitable customer segments
- Testing your pricing
- Controlling operating costs
- Eliminating waste (Muda)

Supporting Your Business

At Constant Profit Advisors, our focus is on small to medium sized business in the Vancouver, Washington and Portland, Oregon area. We help your business create a winning strategy, by first identifying your constraints, creating the tools necessary to carry out your strategy and develop the monitoring and control systems necessary to make sure you are on track.

Our consulting efforts are ideally suited to bring solid financial leadership, through Lean and Six Sigma processes, to Portland, Oregon area companies that employ less than 200 people. We emphasize a team approach and bring your best and brightest

used to their maximum effectiveness. We redesign your management accounting information to support your decisions, not defeat them. So ask yourself,

Does your accounting seem mired in the stone age?

Is your accounting department still worried about unit costs and overhead allocations?

Have you wondered if there is a better way to know if you are really profitable?

employees to the process to help identify the changes necessary and begin the implementation process.

We can help by filling in as your outsourced CFO/Controller. As CPA's, we not only bring strong accounting and financial management skills to your organization, but a passion for Lean Processes, Six Sigma and Theory of Constraints. While we are based in the Portland, Oregon area, we work with clients from California to Washington. We ask the tough questions and help you design the system to speed information flow to help your decision making. Lets talk about how we can help your business manage its financial health today.

Website powered by Network Solutions®

John Caughell

Director of Business Development at Constant Profit Advisors

Portland, Oregon Area

Current • Director of Business Development at Constant Profit Advisors

Past • Director of Business Development at Golden & Company CPA's
• Staff Grunt at Yergen & Meyer, LLP
• Staff Grunt at Artis Pine Berg & Scott

Education • Villanova University
• Villanova University
• California State University-Fresno

Recommendations 4 recommendations

Connections 80 connections

Industry Accounting

Websites • My Blog
• Building Industry Association
• My Website

John Caughell's Summary

As the Director of Business Development, I am the primary marketing and sales person for the firm. Our marketing consists of meeting with various networking groups including Chambers of Commerce, BIA, BNI, and other places where small business owners come together to discuss their growth and opportunities.

If you are seeking a CPA firm that loves being outside the box, a firm that enjoys the challenges of looking at your business as a tool to help you earn better profits, and a firm that respects the efforts you put into making money, call or write us today. We want to work with you.

John Caughell's Specialties:

We specialize in helping business owners find ways to make, and keep their hard earned profits. We take a holistic view of your business and try to bring a full menu of options, including tax saving opportunities, financing options, operational analysis, and a strong focus on lean and green, to the discussion.

John Caughell's Experience

Director of Business Development

Constant Profit Advisors

(Management Consulting industry)

September 2009 — Present (1 year 2 months)

The change is happening. Our new business name is the Constant Profit Advisor. This has been a year in the making as we move from being a traditional financial and tax firm to a company that helps small business stay focused on the important thing... making a profit.

So, who do you know that runs a small business with 15-100 employees who needs an advisor to help them

<http://www.linkedin.com/in/johncaughellcpa>

10/12/2010

discover ways to become profitable and stay profitable? We would love to talk with them and explain how we might be able to help.

Director of Business Development

Golden & Company CPA's

(Accounting industry)

November 1999 — September 2009 (9 years 11 months)

Working with prospective clients and referral sources to help them get to know, like, and trust Golden & Company and our system so that they can successfully grow their business.

Staff Grunt

Yergen & Meyer, LLP

(Accounting industry)

May 1995 — June 1998 (3 years 2 months)

Staff Grunt and accounting wizard.

Staff Grunt

Artis Pine Berg & Scott

(Accounting industry)

February 1993 — May 1995 (2 years 4 months)

Staff Auditor

John Caughell's Education

Villanova University

Lean Six Sigma 2009 — 2009

Training to become a Black Belt in Lean Six Sigma. Lean processes are about doing more with less, and doing it better than before. It is about right sizing your business, your operation, your tool kits, and focusing on your customer.

Villanova University

certificate , Six Sigma Green Belt , 2009 — 2009

Successfully completed Six Sigma Green Belt course for production.

California State University-Fresno

1990 — 1994

Additional Information

John Caughell's Websites:

My Blog
Building Industry Association
My Website

John Caughell's Interests:

Working with small business, marketing, golfing, dreaming of owning a boat, chess, playing with John Andrew Brendan and David, spending time with Tania

<http://www.linkedin.com/in/johncaughellcpa>

10/12/2010

John Caughell's Groups:

Clark County Chamber of Commerce - Treasurer,
BIA of Clark County - Membership Committee,
BNI - Rose Quarter Chapter,

Oregon Entrepreneurs Network

TPS - Toyota Production System

PDX Marketing Pros

Building Industry Association of Clark County

ExecuNet Portland, OR Vancouver, WA

John Caughell's Honors:

BIA of Clark County 2010 Treasurer



STATE OF WASHINGTON
BOARD OF ACCOUNTANCY
PO Box 9131 • Olympia, Washington 98507-9131
(360) 753-2585 • FAX (360) 664-9190 • www.cpaboard.wa.gov

November 17, 2010

John Caughell
John Caughell, CPA, PC
dba Constant Profit Advisors
7600 NE 41st Street Ste. 155
Vancouver, WA 98662

Subject: Title Use Inquiry – #2010-092
Response Due: November 27, 2010

Dear John Caughell:

The Board received notification that you have been holding yourself out as a Certified Public Accountant without the benefit of a Washington State CPA License as required by RCW 18.04 and WAC 4-25.

Board records indicate that your CPA License lapsed on June 30, 2010.

It appears you have continued to use the title "CPA" in the State of Washington with a lapsed license.

RCW 18.04.345(2) allows only a currently licensed CPA to use the title "certified public accountant" or "CPA."

... (2) No person may hold himself or herself out to the public and assume or use the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or devise [device] tending to indicate that the person is a certified public accountant or CPA unless the person holds a valid certificate as a certified public accountant and holds a valid license to practice under RCW 18.04.215.

Because your CPA license to practice public accounting has lapsed, you must immediately cease using the CPA title or referring to yourself as a certified public accountant in this state, including the removal of the CPA title or reference from business cards, resumes, e-mail address, campaign materials, web sites, etc.



The Board has opened an investigation into the matter as a potential violation of Board rules. The Board requests that in cooperation with this investigation, you provide the following:

- What is your basis for referring to yourself as a CPA in the state of Washington without a CPA license?
- Status of your CPA certificate or license in another state, if applicable.
- Have you advertised yourself as a CPA in other mediums and on other documents?
- Have you provided any audit, review or compilation services? If so, how many and when?
- Any documents, letters, contracts, correspondence, reports, memos, legal memoranda or pleadings that support your response.

The Public Accountancy Act, 18.04 RCW, provides that no firm may hold itself out to the public as offering to issue or issuing reports on financial statements, or assume or use the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of certified public accountants or CPAs, unless the firm is licensed under RCW 18.04.195 and all offices of the firm in this state are maintained and registered under RCW 18.04.205 (Reference RCW 18.04.345 [3] and WAC 4-25-750).

The Board has no record of issuing a firm license for John M Caughell CPA PC. Your website for Constant Profit Advisors indicates that you are a CPA firm.

The Board requests that in cooperation with this investigation, you provide the following:

- What is the have basis for referring to your company as a CPA firm without the benefit of a CPA firm license issued by the Board of Accountancy?
- Also, please explain when you began to represent your company as a CPA firm in this state.
- The extent of your CPA practice.
- Have you offered to provide or provided attest services to the public? If yes, please respond to the following:
 - How many compilation reports have you issued and what were the dates of those reports?
 - How many review reports have you issued and what were the dates of those reports?
 - How many audit reports have you issued and what were the dates of those reports?

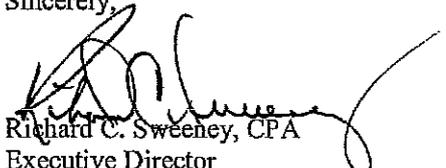
Please provide any additional documents, letters, contracts, correspondence, reports, memos, legal memoranda or pleadings that support your response.

John M Caughell
November 17, 2010
Page 3

If you have any questions or concerns, please address them to Deputy Director Tom Sadler, CPA. You may contact Mr. Sadler at toms@cpaboard.wa.gov or 360-586-0785.

Please respond in writing on or before **November 27, 2010**.

Sincerely,



Richard C. Sweeney, CPA
Executive Director

RCS/mas

Enclosure(s)

Please be advised the Washington State Board of Accountancy complies with the Public Records Act, Chapter 42.56 RCW. This act establishes a strong state mandate in favor of disclosure of public records. As such, the information you submit to the board, including personal information, may ultimately be subject to disclosure as a public record.



STATE OF WASHINGTON
BOARD OF ACCOUNTANCY
PO Box 9131 • Olympia, Washington 98507-9131
(360) 753-2585 • FAX (360) 664-9190 • www.cpaboard.wa.gov

November 30, 2010

John Caughell
John Caughell, CPA, PC
dba Constant Profit Advisors
7600 NE 41st Street Ste. 155
Vancouver, WA 98662

FINAL NOTICE

Subject: Title Use Inquiry - Case #2010-092
Response Due: December 20, 2010

Dear John Caughell:

The Board has not received a response from you.

Board records do not contain your response to my November 17, 2010 letter (copy enclosed).
Your response was due November 27, 2010.

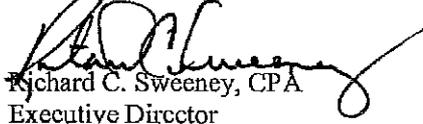
This is our last attempt to contact you.

Board procedures require staff to prepare charges for violations of the Accountancy Act or Board rules. If you do not respond as requested, Board staff must draw charges. The process of prosecuting and defending charges is time consuming for you and the Board.

Your response is due December 20, 2010.

The Board must receive your complete response to my November 17, 2010, letter on or before December 20, 2010; otherwise, the agency will proceed with the issuance of charges.

Sincerely,


Richard C. Sweeney, CPA
Executive Director

RCS/mas

Enclosure

Certified Mail Return Receipt Requested #7003 0500 0003 0230 9949

Copy: By US First Class Mail

Tom Sadler, CPA, Deputy Director

Please be advised: The Washington State Board of Accountancy is required to comply with the Public Records Act, Chapter 42.56 RCW. This act establishes a strong state mandate in favor of disclosure of public records. As such, the information you submit to the board, including personal information, may ultimately be subject to disclosure as a public record.



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Sent To: John Caughell
 Street, Apt. No., or PO Box No.: John Caughell, CPA, PC
 City, State, ZIP+4: dba Constant Profit Advisors
 7600 NE 41st Street Ste. 155
 Vancouver, WA 98662

PS Form 3800, June 2002 See Reverse for Instructions

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John Caughell, CPA, PC
dba Constant Profit Advisors
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Vancouver, WA 98662

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- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

John Caughell
 John Caughell, CPA, PC
 dba Constant Profit Advisors
 7600 NE 41st Street Ste 155
 Vancouver, WA 98662
 17763 AVE 131st ST
 Vancouver, 98682

COMPLETE THIS SECTION ON DELIVERY

- A. Signature Agent
 Addressee
- B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7003 0500 0003 0230 9949

102555-02-M-1540

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Scott, Meranda (ACB)

From: Scott, Meranda (ACB)
Sent: Wednesday, December 22, 2010 1:30 PM
To: 'johnc@constprofit.biz'; 'johnc@golden-cpas.com'
Subject: From WA State Board of Accountancy
Attachments: DoNotReply@cpaboard.wa.gov_20101222_140218.pdf

Mr. Caughell,

Attached are two letters we have sent to you and have not received a response to. Your prompt reply is expected or we will have to proceed with the issuance of charges.

Your response is due December 30, 2010.

Thank you,

Meranda Scott
Investigations Administrator
WA State Board of Accountancy
PO Box 9131
Olympia, WA 98507-9131
Mailstop: 43110
merandas@cpaboard.wa.gov
360-664-9193 (office)
360-664-9190 (fax)
08:00 a.m. to 4:30 p.m. (hours)

Please be advised: The Washington State Board of Accountancy is required to comply with the Public Records Act, Chapter 42.56 RCW. This act establishes a strong state mandate in favor of disclosure of public records. As such, the information you submit to the board, including personal information, may ultimately be subject to disclosure as a public record.

Scott, Meranda (ACB)

From: John Caughell [johnc@argentstratus.com]
Sent: Wednesday, December 29, 2010 7:15 AM
To: Scott, Meranda (ACB)
Subject: RE: WA State Board of Accountancy - Your Lapsed CPA License

Dear Ms. Scott,

I have allowed my license to lapse. In consultation with family and my medical team, I have decided that my health and happiness are best served by leaving public accounting. After a few months off to recuperate I started with a new company in a non-accounting position in August.

I was brought in to run the sales and marketing department for a start-up company, Argentstratus. It is a technology company and does not provide any public accounting services; My time is fully devoted to this position and to my health and family thus I have no extra time, nor desire, to pursue public accounting on my own.

The website will be changed to remove all references to "cpa". I apologize it was something that was put up over a year ago and then ignored. I will be changing it this weekend. I do not even recall the last time I wrote a blog for "constant profit advisors" but I believe it was towards May 2010.

I have no plans or intentions of returning to public accounting. My reasons are personal.

I will be sending this response via mail today to your address so you have a paper response.

John Caughell

Argentstratus
Your Secured Office - Virtually - Everywhere

Come see our website www.argentstratus.com

-----Original Message-----

From: Scott, Meranda (ACB) [mailto:merandas@cpaboard.wa.gov]
Sent: Wednesday, December 22, 2010 3:58 PM
To: johnc@argentstratus.com; sales@argentstratus.com
Subject: WA State Board of Accountancy - Your Lapsed CPA License

Mr. Caughell,

Attached are two letters we have sent to you and have not received a response to. Your prompt reply is expected or we will have to proceed with the issuance of charges.

Your response is due December 30, 2010.

Thank you,

Meranda Scott
Investigations Administrator
WA State Board of Accountancy
PO Box 9131
Olympia, WA 98507-9131
Mailstop: 43110
merandas@cpaboard.wa.gov
360-664-9193 (office)
360-664-9190 (fax)
08:00 a.m. to 4:30 p.m. (hours)

Please be advised: The Washington State Board of Accountancy is required to comply with the Public Records Act, Chapter 42.56 RCW. This act establishes a strong state mandate in favor of disclosure of public records. As such, the information you submit to the board, including personal information, may ultimately be subject to disclosure as a public record.

taken, including license revocation, suspension and refusal to renew a license pursuant to ORS 673.170(1), 673.170(2) and 673.400.

ORDER

Pursuant to the authority of ORS 673.170 and 673.400 and after consideration of the Board files and records relating to this matter, the Board enters the following Order:

6. CPA License #8714, issued to John M Caughell, shall be **SUSPENDED** until:
 - a. The Board receives payment in full of the civil penalty and interest described in Final Order O-08-062 the amount of which now totals \$ 121.38; and
 - b. Respondent meets reinstatement requirements described in OAR 801-040-0090.

7. During the period that CPA Permit 8714 is suspended, Respondent may not provide public accounting services, may not display the CPA certificate and may not display the title or designation for certified public accountant on any sign, directory, tax return, letterhead, business card, or other form of public communication.

DATED this 22 day of FEBRUARY, 2011.

Oregon Board of Accountancy

By: Patrick Hearn

L Patrick Hearn, Executive Director

Mailed by regular and certified U.S. Mail on _____ 2011 by _____

You are entitled to judicial review of this Order. Judicial review is pursuant to the provisions of ORS 183.482 to the Oregon Court of Appeals. Judicial review may be obtained by filing a petition for review within 60 days from the service of this Order.

**BEFORE THE BOARD OF ACCOUNTANCY
OF THE STATE OF OREGON**

In the Matter of)	O-08-062
)	FINAL ORDER
JOHN CAUGHELL)	ASSESSING CIVIL PENALTY,
CPA Certificate and Permit 8714)	ENTERED BY DEFAULT
Respondent)	

The OREGON BOARD OF ACCOUNTANCY (Board) issued a Notice of Proposed Civil Penalty and Notice of Right to Hearing (Notice) to JOHN CAUGHELL (Respondent) on or about July 21, 2008. The Notice was delivered to Respondent by regular and certified U.S. Mail, return receipt requested, postage prepaid. The letter was not returned by the US Mail to the Board office.

The Notice alleged that Respondent violated provisions of OAR Chapter 801 when Respondent failed to provide written notice of Respondent's change of address within 30 days, in violation of OAR 801-030-0020. The Notice advised Respondent of the right to a hearing, and that written request for hearing must be made within 21 days of service of the Notice. The Board did not receive a request for hearing and Respondent did not submit payment in full of the civil penalty. The Notice designated the Board's file on this matter as the record for purposes of default.

NOW THEREFORE, after consideration of the Board files and records relating to this matter, the Board enters the following Order:

FINDINGS OF FACT

1. The Board issued Certified Public Accountant certificate and permit 8714 (CPA permit) to Respondent September 8, 1997;
2. On or about May 2, 2008, the Board mailed a renewal to the following address that was provided as Respondent's official mailing address on July 3, 2006: 8221 NE Hazel Dell Ave #102, Vancouver, WA. 98665;
3. On or about May 12, 2008, the renewal was returned by the U.S. Postal Service marked "return to sender, not deliverable as addressed, unable to forward" and no forwarding address was given;

Final Order by Default
JOHN CAUGHELL

4. The above-described conduct constitutes a failure to provide written notice of an address change, in violation of OAR 801-030-0020;

5. Some of the terms used in the rules and statutes cited in this notice are defined in ORS 673.010 and in OAR 801-005-0010.

ULTIMATE FINDINGS OF FACT

6. Respondent did not provide written notice of change of address.

CONCLUSIONS OF LAW

7. JOHN CAUGHELL failed to provide written notice of Respondent's change of address within 30 days, in violation of OAR 801-030-0020.

ORDER

IT IS HEREBY ORDERED that:

8. JOHN CAUGHELL shall be required to pay a civil penalty in the amount of \$100.

DATED this 10th day of September, 2008.

Oregon Board of Accountancy

By: Carol Rives
Carol Rives, Administrator

Mailed on 9-10, 2008 by JME

Notice: Civil penalty amounts are established in ORS 673.400. Interest will accrue in accordance with Oregon Laws 1991, chapter 734, section 2 and ORS 82.010, at the rate provided by law, beginning ten days after the final date of the Order. If unpaid, civil penalties may be recorded and filed with county clerks as liens against property ten days after the expiration of the statutory appeals period.

Judicial Review: You are entitled to judicial review of this Order. Judicial review may be obtained by filing a petition for review within 60 days from the service of this Order. Judicial review is pursuant to the provisions of ORS 183.482 to the Oregon Court of Appeals.

Final Order by Default
JOHN CAUGHELL

Sexton, Cheryl (ACB)

From: Sexton, Cheryl (ACB)
Sent: Tuesday, May 24, 2011 3:02 PM
To: 'Johnc@argentsstratus.com'
Cc: Sweeney, Richard (ACB); Sadler, Tom (ACB); Scott, Meranda (ACB)
Subject: Case #2010-092

Importance: High

Mr. Caughell:

The Executive Director is reviewing the agency's investigation file regarding the allegations that you used the title CPA after the lapse of your CPA license and failed to obtain a firm license.

Before the Executive Director consults with one Board member, he has a question of you. Did Constant Profit Advisors ever offer to perform or perform attest services or compilation services? He understands that you allowed your license to lapse and are not currently practicing public accounting.

The Executive Director would appreciate a prompt response.

Sincerely,

Cheryl M. Sexton, CFE
Executive Assistant
Washington State Board of Accountancy
PO Box 9131
Olympia, WA 98507-9131
(360) 664-9194
(360) 664-9190 FAX
cheryls@cpaboard.wa.gov

The Board of Accountancy has implemented an electronic newsletter/alert process - WBOA-NEWS. The Board recommends that you subscribe to WBOA-NEWS at <http://listserv.wa.gov/archives/wboa-news.html> to receive prompt notice of Board meetings, anticipated and/or actual statute, rule, and policy changes, etc.

Advisory: The Washington State Board of Accountancy is required to comply with the Public Records Act, Chapter 42.56 RCW. This act establishes a strong state mandate in favor of disclosure of public records. As such, the information you submit to the Board, including personal information, may ultimately be subject to disclosure as a public record.

Sexton, Cheryl (ACB)

From: John Caughell [johnc@argentstratus.com]
Sent: Tuesday, May 24, 2011 3:02 PM
To: Sexton, Cheryl (ACB)
Subject: Read: Case #2010-092
Attachments: ATT489719.txt
Importance: High

Your message

To: johnc@argentstratus.com
Cc: Sweeney, Richard (ACB); Sadler, Tom (ACB); Scott, Meranda (ACB)
Subject: Case #2010-092
Sent: 5/24/2011 3:02 PM

was read on 5/24/2011 3:01 PM.

**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 or CPA Firm of

John M. Caughell,

Respondent.

No. ACB-1311

STATEMENT
OF CHARGES

RICHARD C. SWEENEY, CPA, Executive Director for the Washington State Board of Accountancy (Board), and acting in that capacity, states and alleges as follows:

I.

On August 26, 2004, the Board issued a license (No. 24738) to practice as a Certified Public Accountant (CPA) in the state of Washington to the Respondent, John M. Caughell. The Respondent's individual license to practice public accounting as a CPA lapsed on June 30, 2010, due to the Respondent's failure to renew.

II.

During November 2010, a search of Washington State government websites resulted in three listings for the legal entity of "John M. Caughell CPA PC" located in Vancouver, Washington:

A. Washington State Secretary of State Corporations Division. The corporation filed with Washington State on June 26, 2009, and with an expiration date of June 30, 2011. The Respondent was listed as the president and secretary of the corporation.

B. Washington State Department of Revenue State Business Records Database Detail.

The legal entity was listed as doing business as Constant Profit Advisors. The account was opened July 1, 2009, and is currently listed as "open."

C. Washington State Department of Licensing's Master License Service. The entity's firm name was listed as Constant Profit Advisors.

John M. Caughell CPA PC does not hold a license to practice as a CPA firm in Washington State nor has the Respondent made application for a CPA firm in Washington State or registered the Vancouver, Washington office with the Board.

III.

During October 2010 the web site for Constant Profit Advisors (<http://www.constprofit.biz>) published that "Constant Profit Advisors is a Vancouver, Washington based CPA firm . . ." and "offer traditional Certified Public Accounting services." The Respondent was the Director of Business Development for the firm. Constant Profit Advisors does not hold a license to practice as a CPA firm in Washington State nor has the Respondent made application for a CPA firm in Washington State or registered the Vancouver, Washington office with the Board.

IV.

The Respondent failed to provide in writing a full and complete explanation to Board inquiries dated November 17, 2010, and November 30, 2010, regarding the Respondent's use of the CPA title without the benefit of a valid license, the Respondent's failure to obtain a CPA firm license, and the specific services Constant Profit Advisors offered. Both inquiries were sent to the last address the Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662). The Board mailed the November 30, 2010, Final Notice by U.S. Certified Mail—Return Receipt Requested and by U.S. First Class Mail. The U.S. Postal Service

returned the November 30, 2010, mailing via U.S. Certified Mail to the Board's office unopened and marked "UNCLAIMED" and "UNABLE TO FORWARD" after two notices. The first class mailing was not returned to the Board.

V.

On December 22, 2010, the Board emailed the Board's November 17, 2010, and November 30, 2011, inquiries to the Respondent. On or about December 29, 2010, the Respondent responded and advised the Board that he had allowed his license to lapse, started with a new company in a nonaccounting position in August, and had no plans or intentions to return to public accounting for personal reasons. The Respondent also advised the Board that the web site for Constant Profit Advisors would be changed to remove all references to "cpa." The Respondent has not provided a complete written response to the Board's November 17, 2010, and November 30, 2010, inquiries including the specific services Constant Profit Advisors offered.

VI.

On February 22, 2011, the State of Oregon Board of Accountancy entered a default final order suspending the Respondent's CPA license (#8714) until the Board receives payment in full of a civil penalty and interest for failure to provide written notice of an address change and meets reinstatement requirements.

VII.

Respondent's acts and omissions described in paragraphs II and III constitute violations of RCW 18.04.195 that requires firms with an office in this state that use the title "CPA" or "CPA firm" to hold a license, RCW 18.04.205 that requires each office established or maintained in this state that uses the title "CPA" to register with the Board every three years; RCW 18.04.345(2) that prohibits an individual from holding out to the public or assuming or

using the designation "CPA unless the individual holds a license; RCW 18.04.345(3) that prohibits a firm with an office in this state from assuming or using the designation "CPA" or any other title, designation, words, letters abbreviation, sign, card, or device tending to indicate that the firm is composed of CPAs unless the firm licenses and all offices of the firm in this state are maintained and registered; and WAC 4-25-660 (recodified as WAC 4-30-052) that prohibits CPAs and CPA firms from committing any act that reflects adversely on their fitness to represent themselves as a CPA or CPA firm. RCW 18.04.380 sets that the display or presentation by a person of a card, sign, advertisement or other printed, engraved, or written instrument or device, bearing a person's name in conjunction with the abbreviation "CPA" is prima facie evidence that the person whose name is so displayed caused or procured the display or presentation is holding out to be a licensee. See Appendix A for reproduction of statutes and rules.

VIII.

Respondent's acts and omissions described in paragraphs IV and V constitute violations of WAC 4-25-551 (recodified as WAC 4-30-034) that requires CPAs to respond in writing to Board communications requesting a response within 20 days of the date the Board's communication is posted in the US mail. See Appendix A for reproduction of statutes and rules.

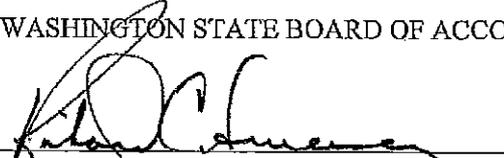
These violations constitute grounds for sanctions pursuant to RCW 18.04.295, and chapter 18.04 RCW including but not limited to the denial, revocation, suspension, or refusal to renew or reinstate the Respondent's Certified Public Accountant certificate and/or any license of the Respondent, the imposition of a fine plus the Board's investigative and legal costs, and imposition of full restitution to injured parties. WAC 4-25-910 (recodified as WAC 4-30-142) sets that violation of the Public Accountancy Act or Board rule as basis for imposing discipline.

WHEREFORE, Richard C. Sweeney alleges that the conduct referred to in this Statement of Charges affects the public health, safety and welfare, that a notice be issued and served as

provided by law to John M. Caughell giving him the opportunity to defend against the allegations of this Statement of Charges and providing that if he fails to defend against these allegations, that an order be entered imposing one or more of the sanctions pursuant to RCW 18.04.295 including but not limited to suspending, revoking, or refusing to renew his certificate as a CPA and/or denying, suspending, revoking, or refusing to renew any license issued under Chapter 18.04 RCW, imposing a fine plus the Board's investigative and legal costs, and/or imposing full restitution to injured parties.

DATED at Olympia, this 6th day of June 2011.

WASHINGTON STATE BOARD OF ACCOUNTANCY



RICHARD C. SWEENEY, CPA
Executive Director

**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 or CPA
Firm of

John M. Caughell,

Respondent.

No. ACB-1311

ANSWER TO
STATEMENT
OF CHARGES

Enter your answer below, sign, date and return this form within twenty (20) days after you are served (which is the date of deposit in the U.S. mail, if service is by mail, WAC 10-08-110) to:

Washington State Board of Accountancy
711 Capitol Way South, Suite 400, Mail Stop 43110
Post Office Box 9131
Olympia, Washington 98507-9131

If you desire a hearing, you must complete and return this form so that it is received at the above address within twenty (20) days of service. Failure to do so will constitute a waiver of hearing and result in a default (see RCW 34.05.440), and the Board may proceed to resolve your case without further notice, or hearing for your benefit. This may include the possible denial, suspension, revocation, or refusal to renew your certificate to practice as a Certified Public Accountant and/or the denial, suspension, revocation, or refusal to renew your license(s) to practice in the State of Washington, and/or the imposition of a fine plus the Board's investigation and legal costs and/or the imposition of full restitution to injured parties.

INSTRUCTIONS: Circle and initial your response and mail this document to the address set forth above.

I.

I [DO] [DO NOT] request a hearing in this matter.

Answer to Statement of Charges

1

John M. Caughell

II.

I [WILL] [WILL NOT] be represented by an attorney. His/her name and address is:

III.

INSTRUCTIONS: list by Roman numeral in the spaces provided below, the admitted charges of the Statement of Charges. If you admit all of the charges, state "all." If you do not contest or if you deny any or all charges, see sections (2) and (3) of this paragraph.

(1) I DO ADMIT the following charges contained in the Statement of Charges:

(2) I DO NOT CONTEST the following charges contained in the Statement of Charges:

(3) I DENY the following charges contained in the Statement of Charges:

IV.

I [HAVE] [HAVE NOT] attached a sworn statement in my defense or in mitigation of the charges.

V.

You have the right to: demand a hearing; be represented by an attorney at your own expense at the hearing; subpoena witnesses or the production of books or documents, and otherwise defend against the Statement of Charges.

INTERPRETER REQUEST: I request that a qualified interpreter be appointed at no cost to me to interpret for (myself) or (my witness(es)). My, or my witness(es)', primary language is _____ (identify language). My, or my witness(es)', hearing impaired status is _____ (identify hearing impaired status). I understand that a qualified interpreter will be appointed at no cost to me or to my witness(es).

DATED this __ day of _____, 2011.

****SIGN****

Respondent

**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 or CPA Firm of:

John M. Caughell,

Respondent.

No. ACB-1311

NOTICE OF OPPORTUNITY
TO DEFEND STATEMENT OF
CHARGES

THE STATE OF WASHINGTON TO: John M. Caughell

YOU ARE HEREBY NOTIFIED that a Statement of Charges has been filed with the Washington State Board of Accountancy, a true and correct copy of which is attached and made a part hereof.

YOU ARE HEREBY NOTIFIED that you may within twenty (20) days of the date you are served this notice (which is the date of deposit in the U.S. mail, if service is by mail, WAC 10-08-110), demand a formal hearing before the Washington State Board of Accountancy on the Statement of Charges. To demand a hearing you must complete and return the enclosed Answer to Statement of Charges requesting a hearing. If you demand a hearing, you will be subsequently notified of the time and place set for the hearing at least 7 days in advance of the hearing. See chapters 10-08 and 4-25 WAC and chapter 34.05 RCW for rules and statutes governing discovery, appearances and appeals. (Copies of relevant portions enclosed.)

ALTERNATIVELY, you may waive the formal hearing and, in lieu thereof, submit a written statement for consideration by the Board prior to disposition of the Statement of Charges. To exercise either alternative, merely check the appropriate box on the attached Answer to Statement of Charges form, sign, date and return it to the Washington State Board of Accountancy; 711 Capitol Way South, Suite 400, Mail Stop 43110; Post Office Box 9131; Olympia, Washington 98507-9131.

Notice of Opportunity to Defend

1

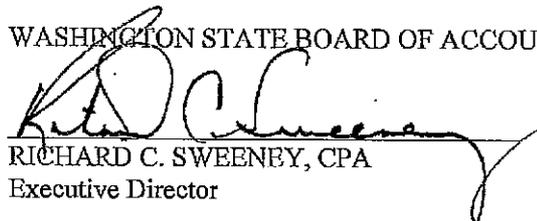
John M. Caughell

YOU ARE HEREBY FURTHER NOTIFIED that if you do not return the Answer to Statement of Charges form so that it is received within twenty (20) days from the date you are served this notice, this will constitute a waiver of your right to a hearing and result in a default (See RCW 34.05.440), and the Board may proceed to resolve your case without further notice, or hearing for your benefit. This may include the possible denial, suspension, revocation, or refusal to renew your CPA certificate and/or the denial, suspension, revocation, or refusal to renew your license(s) to practice in the State of Washington, and/or the imposition of a fine plus the Board's investigation and legal costs.

INTERPRETER AVAILABILITY: If you or a witness for you are a person who, because of a non-English speaking cultural background, cannot readily speak or understand the English language, or if you or a witness for you are a person who, because of a hearing impairment or speech defects, cannot readily understand or communicate in spoken language, including persons who are deaf, deaf and blind, or hard of hearing AND YOU NEED AN INTERPRETER, then a qualified interpreter will be appointed at no cost to you or to the witness. You may request the appointment of a qualified interpreter by indicating your request on the attached Answer to Statement of Charges form.

DATED at Olympia, this 16th day of June 2011.

WASHINGTON STATE BOARD OF ACCOUNTANCY


RICHARD C. SWEENEY, CPA
Executive Director

**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 or CPA Firm
of

John M. Caughell,

Respondent.

No. ACB-1311

APPENDIX A

RCW 18.04.195 License required -Requirements -Application -Fees. (1) The board shall grant or renew licenses to practice as a CPA firm to applicants that demonstrate their qualifications therefore in accordance with this section.

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

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

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

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

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

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

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

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

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

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

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

(10) Fees for the license as a firm and for notification of the board of the admission or withdrawal of a partner, shareholder, or member shall be determined by the board. Fees shall be paid by the firm at the time the license application form or notice of admission or withdrawal of a partner, shareholder, or member is filed with the board . . . [2008 c 16 § 3; 2003 c 290 § 1; 2001 c 294 § 11; 1999 c 378 § 5; 1994 c 211 § 1402; 1986 c 295 § 8; 1983 c 234 § 9.]

RCW 18.04.205 Registration of offices -Requirements -Rules -Fees. (1) Each office established or maintained in this state for the purpose of offering to issue or issuing attest or compilation reports in this state or that uses the title "certified public accountant" or "CPA," shall register with the board under this chapter every three years.

(2) Each office established or maintained in this state shall be under the direct supervision of a resident licensee holding a license under RCW 18.04.105 and 18.04.215 . . . [2008 c 16 § 4; 2001 c 294 § 12; 1999 c 378 § 6; 1992 c 103 § 9; 1986 c 295 § 9; 1983 c 234 § 10.]

RCW 18.04.295 Actions against CPA license. The board shall have the power to: Revoke, suspend, or refuse to issue, renew, or reinstate a license or certificate; impose a fine in an amount not to exceed thirty thousand dollars plus the board's investigative and legal costs in bringing charges against a certified public accountant, a certificate holder, a licensee, a licensed firm, an applicant, a non-CPA violating the provisions of RCW 18.04.345, or a nonlicensee holding an ownership interest in a licensed firm; may impose full restitution to injured parties; may impose conditions precedent to renewal of a certificate or a license; or may prohibit a nonlicensee from holding an ownership interest in a licensed firm, for any of the following causes . . .

(3) A violation of any provision of this chapter . . .

(9) Failure to cooperate with the board by:

(a) Failure to furnish any papers or documents requested or ordered by the board . . . [2004 c 159 § 4; 2003 c 290 § 3; 2001 c 294 § 14; 2000 c 171 § 1; 1992 c 103 § 11; 1986 c 295 § 11; 1983 c 234 § 12.]

RCW 18.04.345 Prohibited practices.

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

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

(4) No firm may perform the services defined in RCW 18.04.025(1) (a), (c), or (d) for a client with its home office in this state unless the firm is licensed under RCW 18.04.195, renews the firm license as required under RCW 18.04.215, and all offices of the firm in this state are maintained and registered under RCW 18.04.205 . . . [2009 c 116 § 1; 2008 c 16 § 5; 2001 c 294 § 17; 1999 c 378 § 8; 1992 c 103 § 14; 1986 c 295 § 15; 1983 c 234 § 16.]

RCW 18.04.380 Advertising falsely — Effect. (1) The display or presentation by a person of a card, sign, advertisement, or other printed, engraved, or written instrument or device, bearing a person's name in conjunction with the words "certified public accountant" or any abbreviation thereof shall be prima facie evidence in any action brought under this chapter that the person whose name is so displayed, caused or procured the display or presentation of the card, sign, advertisement, or other printed, engraved, or written instrument or device, and that the person is holding himself or herself out to be a licensee, a certified public accountant, or a person holding a certificate under this chapter.

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

WAC 4-25-551 Must I respond to inquiries from the board? Yes. All licensees, including out-of-state individuals qualifying for practice privileges in this state under RCW 18.04.350(2) and out-of-state firms permitted to offer or render certain professional services in this state under the condition prescribed in RCW 18.04.195 (1)(b), CPA-Inactive certificateholders, nonlicensee firm owners, and applicants must respond, **in writing**, to board communications requesting a response. Your response must be made within **twenty days of the date** the board's communication is posted in the U.S. mail. Communications from the board to you are directed to the last address you furnished the board. [Statutory Authority: RCW 18.04.055(16). 08-18-016 § 4-25-551, filed 08/25/08, effective 9/25/08; 05-01-137, § 4-25-551, filed 12/16/04, effective 1/31/05; 01-22-036, § 4-25-551, filed 10/30/01, effective 12/1/01. Statutory Authority: RCW 18.04.055. 98-12-047, § 4-25-551, filed 5/29/98, effective 6/29/98; 93-12-072, § 4-25-551, filed 5/27/93, effective 7/1/93.]

WAC 4-25-650 What acts are considered discreditable? Licensees, CPA-Inactive certificateholders, nonlicensee firm owners, and employees of such persons must not:

(1) Commit, or allow others to commit in their name, any act that reflects adversely on their fitness to represent themselves as a CPA, CPA-Inactive certificateholder, CPA firm, or a firm owner;

(2) Seek to obtain clients by the use of coercion, intimidation or harassing conduct; or

(3) Permit others to carry out on their behalf, either with or without compensation, acts which violate the rules of conduct. [Statutory Authority: RCW 18.04.055(2). 08-18-016 § 4-25-650, filed 8/25/08, effective 9/25/08; 05-01-137, § 4-25-650, filed 12/16/04, effective 1/31/05; 01-22-036, § 4-25-650, filed 10/30/01, effective 12/1/01. Statutory Authority: RCW 18.04.055. 93-22-090, § 4-25-650, filed 11/2/93, effective 12/3/93.]

WAC 4-25-910 What are the bases for the board to impose discipline? RCW 18.04.055, 18.04.295, 18.04.305, and 18.04.350 authorize the board to revoke, suspend, refuse to

issue, renew, or reinstate an individual or firm license, CPA-Inactive certificate, the right to exercise practice privileges in this state, or registration as a resident nonlicensee firm owner; impose a fine not to exceed thirty thousand dollars; recover investigative and legal costs; impose full restitution to injured parties; impose remedial sanctions; impose conditions precedent to renew; or prohibit a resident nonlicensee from holding an ownership interest in a firm licensed in this state for the specific acts listed below.

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

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

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

(10) A violation of the Public Accountancy Act or failure to comply with a board rule contained in chapter 4-25 WAC, by a licensee, defined in WAC 4-25-410, CPA-Inactive certificateholder, or employees of such persons of this state or a licensee of another substantially equivalent state qualified for practice privileges . . .

(11) Violation of one or more of the rules of professional conduct included in chapter 4-25 WAC . . .

(13) Failure to cooperate with the board by failing to:

(a) Furnish any papers or documents requested or ordered to produce by the board . . .

(c) Respond to an inquiry of the board . . . [Statutory Authority: RCW 18.04.055(16),

18.04.195(11)(d), 18.04.295, 18.04.305, and 18.04.350(2). 08-18-016 § 4-25-910, filed 8/25/08, effective 9/25/08. Statutory Authority: RCW 18.04.055(16), 18.04.295, and 18.04.305. 05-01-137, § 4-25-910, filed 12/16/04, effective 1/31/05; 03-24-033, § 4-25-910, filed 11/25/03, effective 12/31/03. Statutory Authority: RCW 18.04.055(11), 18.04.295, and 18.04.305. 02-04-064, § 4-25-910, filed 1/31/02, effective 3/15/02; 00-11-078, § 4-25-910, filed 5/15/00, effective 6/30/00. Statutory Authority: RCW 18.04.055 and 18.04.295. 94-23-070, § 4-25-910, filed 11/15/94, effective 12/16/94.]

STATE OF WASHINGTON
BOARD OF ACCOUNTANCY

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

John M. Caughell,

Respondent.

No. ACB-1311

DECLARATION OF SERVICE

I certify under penalty of perjury under the laws of the state of Washington that the following is true and correct:

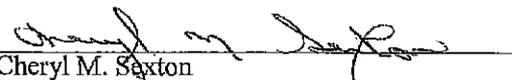
On June 6, 2011, I served a true and correct copy of a Statement of Charges, Answer to Statement of Charges, Notice of Opportunity to Defend, and Appendix A by mailing same with proper postage affixed by U.S. Certified Mail—Return Receipt Requested #7004 2510 0004 0552 3693 and a second true and correct copy by U.S. First Class mail to the Respondent's address of record:

John Caughell
7600 NE 41st Street Ste. 155
Vancouver, WA 98662

I also served a true and correct copy of Statement of Charges, Answer to Statement of Charges, Notice of Opportunity to Defend, and Appendix A by mailing same with proper postage affixed by U.S. Certified Mail—Return Receipt Requested #7004 2510 0004 0552 3709 and a second true and correct copy by U.S. First Class mail to:

John Caughell
17703 NE 31st St
Vancouver, WA 98632

DATED this 16 day of June, 2011, in Olympia, Washington.

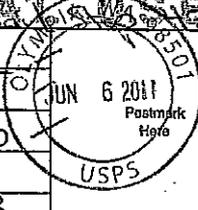

Cheryl M. Sexton
Executive Assistant

7004 2510 0004 0552 3709

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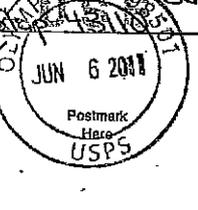
Postage	\$ 2.48	
Certified Fee	2.85	
Return Receipt Fee (Endorsement Required)	2.30	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 7.63	
To: John Caughell 17703 NE 31 st St Vancouver, WA 98632		
or Instructions		

7004 2510 0004 0552 3693

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Postage	\$ 2.48	
Certified Fee	2.85	
Return Receipt Fee (Endorsement Required)	2.30	
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 7.63	
To: John Caughell 7600 NE 41 st Street Ste. 155 Vancouver, WA 98662		
or Instructions		

UNITED STATES POSTAGE
 PERMIT NO. 101
 OLYMPIA, WA 98501
 \$07.63
 JUN 06 2011
 MAILED FROM ZIP CODE 98501



7004 2510 0004 0552 3693

STATE OF WASHINGTON
 BOARD OF ACCOUNTANCY
 P.O. BOX 9131
 OLYMPIA, WA 98507-9131

Return Receipt
 Requested

RECEIVED

JUN 14 2011



WA ACCOUNTANCY BOARD

FIRST CLASS MAIL

John Caughell
 7600 NE 41st Street Ste. 155
 Vancouver, WA 98662

SOLD

WFSY

NOT DELIVERABLE
 AS ADDRESSES
 UNABLE TO POSTAGE

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
1. Article Addressed to: John Caughell 7600 NE 41st Street Ste. 155 Vancouver, WA 98662		A. Signature <input type="checkbox"/> Agent <input checked="" type="checkbox"/> X <input type="checkbox"/> Address B. Received by (Printed Name) C. Date of Delivery D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
2. Article Number (Transfer from service label) PS Form 3811, February 2004		3. Service Type <input checked="" type="checkbox"/> Registered Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered Mail <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes	
Article Number 7004 2510 0004 0552 3693		102555-02-MF1540	

FIRST CLASS

FIRST CLASS

FIRST CLASS

FIRST CLASS

FIRST CLASS

FIRST CLASS

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

John Caughell
17703 NE 31st St
Vancouver, WA 98632

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent Addressee
* *John Caughell*

B. Received by (Printed Name) C. Date of Delivery
S. Caughell *6/8/11*

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7004 2510 0004 0552 3709

**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 or
CPA Firm of:

John M. Caughell,

Respondent.

NO. ACB-1311

FINDINGS OF FACT,
CONCLUSIONS OF LAW
AND DEFAULT ORDER

I. INTRODUCTION

THIS MATTER, arises out of the Statement of Charges issued by the Executive Director of the Washington State Board of Accountancy (hereinafter Board) on June 6, 2011. The Statement of Charges alleges that John M. Caughell (hereinafter Respondent) violated the provisions of RCW 18.04. Respondent has failed to answer or otherwise respond to the Statement of Charges.

THIS MATTER having come before the Board upon the motion of Jacqueline Walker, Assistant Attorney General; Respondent having failed to answer or otherwise respond to the Statement of Charges; the Board having reviewed the records herein and the Declaration of Richard C. Sweeney, Executive Director, and being advised in the premises, makes the following:

II. FINDINGS OF FACT

2.1 On August 26, 2004, the Board issued a license (No. 24738) to practice as a Certified Public Accountant (CPA) in the state of Washington to the Respondent, John M. Caughell. The Respondent's individual license to practice public accounting as a CPA lapsed on June 30, 2010, due to the Respondent's failure to renew.

2.2 During November 2010, a search of Washington State government websites resulted in three listings for the legal entity of “John M. Caughell CPA PC” located in Vancouver, Washington:

2.2.1 Washington State Secretary of State Corporations Division. The corporation filed with Washington State on June 26, 2009, and with an expiration date of June 30, 2011. The Respondent was listed as the president and secretary of the corporation.

2.2.2 Washington State Department of Revenue State Business Records Database Detail. The legal entity was listed as doing business as Constant Profit Advisors. The account was opened July 1, 2009, and is currently listed as “open.”

2.2.3 Washington State Department of Licensing’s Master License Service. The entity’s firm name was listed as Constant Profit Advisors.

John M. Caughell CPA PC does not hold a license to practice as a CPA firm in Washington State nor has the Respondent made application for a CPA firm in Washington State or registered the Vancouver, Washington office with the Board.

2.3 During October 2010 the web site for Constant Profit Advisors (<http://www.constprofit.biz>) published that “Constant Profit Advisors is a Vancouver, Washington based CPA firm . . .” and “offer traditional Certified Public Accounting services.” The Respondent was the Director of Business Development for the firm. Constant Profit Advisors does not hold a license to practice as a CPA firm in Washington State nor has the Respondent made application for a CPA firm in Washington State or registered the Vancouver, Washington office with the Board.

2.4 The Respondent failed to provide in writing a full and complete explanation to Board inquiries dated November 17, 2010, and November 30, 2010, regarding the Respondent’s

use of the CPA title without the benefit of a valid license, the Respondent's failure to obtain a CPA firm license, and the specific services Constant Profit Advisors offered. Both inquiries were sent to the last address the Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662). The Board mailed the November 30, 2010, Final Notice by U.S. Certified Mail—Return Receipt Requested and by U.S. First Class Mail. The U.S. Postal Service returned the November 30, 2010, mailing via U.S. Certified Mail to the Board's office unopened and marked "UNCLAIMED" and "UNABLE TO FORWARD" after two notices. The first class mailing was not returned to the Board.

- 2.5 On December 22, 2010, the Board emailed the Board's November 17, 2010, and November 30, 2010, inquiries to the Respondent. On or about December 29, 2010, the Respondent responded and advised the Board that he had allowed his license to lapse, started with a new company in a nonaccounting position in August, and had no plans or intentions to return to public accounting for personal reasons. The Respondent also advised the Board that the web site for Constant Profit Advisors would be changed to remove all references to "cpa." The Respondent has not provided a complete written response to the Board's November 17, 2010, and November 30, 2010, inquiries including the specific services Constant Profit Advisors offered.
- 2.6 On February 22, 2011, the State of Oregon Board of Accountancy entered a default final order suspending the Respondent's CPA license (#8714) until the Board receives payment in full of a civil penalty and interest for failure to provide written notice of an address change and meets reinstatement requirements.
- 2.7 The Board mailed the Statement of Charges, Answer to Statement of Charges, Notice of Opportunity to Defend and Appendix A to Respondent by United States certified mail, return receipt requested, and by United States first class mail on June 6, 2011, addressed to the last address Respondent provided to the Board (7600 NE 41st Street Suite 155,

Vancouver, WA 98662) and to an address the Respondent provided to the Washington State Secretary of State, Corporations Division (17703 NE 31st St, Vancouver, WA 98632).

- 2.8 The certified mailing to the last address the Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662) was returned unopened to the Board on June 14, 2011, by the United States Postal Service marked “NOT DELIVERABLE AS ADDRESSED UNABLE TO FORWARD.” The first class mailing to the last address the Respondent provided to the Board (7600 NE 41st Street Suite 155, Vancouver, WA 98662) has not been returned to the Board.
- 2.9 The certified mailing to an address the Respondent provided to the Washington State Secretary of State, Corporations Division (17703 NE 31st St, Vancouver, WA 98632) was received and signed by “J. Caughell” on June 8, 2011.
- 2.10 Respondent has neither answered the Statement of Charges nor requested a hearing on the matters set forth in the Statement of Charges.

III. CONCLUSIONS OF LAW

From the foregoing Findings of Fact, the Board makes the following Conclusions of Law.

- 3.1 The Washington State Board of Accountancy has jurisdiction over Respondent and the subject matter of the case. RCW 18.04.295.
- 3.2 Service is completed when mail is properly stamped, addressed, and deposited in the United States mail to the last known address of the licensee. RCW 34.05.010(19).
- 3.3 Based on the above Findings of Fact, and Conclusions of Law, Respondent has been served with the Statement of Charges, Answer to Statement of Charges, and Notice of Opportunity to Defend.
- 3.4 The failure of Respondent to file a request for a hearing in this matter within the time limit established by statute or agency rule constitutes a default, resulting in the loss of

Respondent's right to a hearing. The Board is legally entitled to proceed to resolve the matter without further notice to, or hearing for the benefit of, Respondent, except that a copy of this order shall be served upon Respondent. RCW 34.05.440.

- 3.5 Respondent's acts and omissions described in Paragraphs 2.2 and 2.3 violate RCW 18.04.195, RCW 18.04.205, RCW 18.04.345(2) and (3), and WAC 4-25-650 (recodified as WAC 4-30-052). RCW 18.04.380 sets that the display or presentation by a person of a card, sign, advertisement or other printed, engraved, or written instrument or device, bearing a person's name in conjunction with the abbreviation "CPA" is prima facie evidence that the person whose name is so displayed caused or procured the display or presentation is holding out to be a licensee. See Appendix A for reproduction of statutes and rules.
- 3.6 Respondent's acts and omissions described in Paragraph 2.4 and 2.5 violate RCW 18.04.295(9)(b), WAC 4-25-551 (recodified as WAC 4-30-034) and WAC 4-25-910 (recodified as WAC 4-30-142). (See Appendix A for reproduction of the rules.)
- 3.7 Such conduct constitutes grounds for the denial, revocation, suspension, or refusal to renew or reinstate Respondent's Certified Public Accountant certificate and any license of Respondent, the imposition of a fine plus the Board's investigative and legal costs, and imposition of full restitution to injured parties pursuant to RCW 18.04.295, WAC 4-25-910 (recodified as WAC 4-30-142), and chapter 18.04 RCW. (See Appendix A for reproduction of the statute and rules.)

IV. FINAL ORDER

Based upon the above Findings of Fact and Conclusions of Law, the Board hereby makes the following Order:

- 4.1 The Respondent shall pay a one thousand five hundred dollar (\$1,500) fine. This fine shall be payable to the Washington State Board of Accountancy and remitted to the Washington

State Board of Accountancy at PO Box 43113, Olympia, WA 98504-3113 in such manner that the Board receives it within 60 days of the date this Order is accepted and entered by the Board.

- 4.2 The Respondent shall reimburse the Board one thousand dollars (\$1,000) for investigative and legal costs. This payment shall be payable to the Washington State Board of Accountancy and remitted to the Washington State Board of Accountancy at PO Box 43113, Olympia, WA 98504-3113 in such manner that the Board receives it within 60 days of the date this Order is accepted and entered by the Board.
- 4.3 The Respondent shall correct the entity name registered with the Washington State Department of Revenue, Department of Licensing, and Secretary of State by removing all references to “CPA.” The Respondent shall provide the Board with documentation to verify the corrections within 45 days of the date this Order is accepted and entered by the Board.
- 4.4 The Respondent shall take reasonable steps to remove any reference to CPA in connection with his name and the firm name John M. Caughell, CPA PC from all known marketing documents, advertising websites, telephone directories and other known places or websites. The Respondent shall provide the Board with documentation that shows the Respondent’s effort to complete this within 45 days of the date this Order is accepted and entered by the Board.
- 4.5 The Respondent shall complete a group or interactive self-study program of at least four hours in ethics and regulation applicable to the practice of public accounting in the state of Washington, approved by the Board, within the six month period immediately preceding the date the Respondent makes application for reinstatement of his license.
- 4.6 The Respondent shall not hold himself or his firm out to the public, or use in connection with his name, or any other name, the designation “certified public accountant” or “CPA” or “CPA-Inactive,” or any other title, designation, words, letters, abbreviation, sign card, or

device tending to indicate that the Respondent is a certified public accountant or CPA or that the firm is composed of CPAs until the Respondent meets the reinstatement requirements of chapter 18.04 RCW and Title 4 WAC and the Board reinstates the Respondent's license and the Respondent obtains a firm license under RCW 18.04.195, and registers all of his firm offices registered under RCW 18.04.205.

- 4.7 The Respondent shall not sign, affix, or associate his name or trade name to any report prescribed by professional standards or designated as an "audit," "review," or "compilation," until the Respondent meets the reinstatement requirements of chapter 18.04 RCW and Title 4 WAC and the Board reinstates the Respondent's license, obtains a firm license under RCW 18.04.195, and registers all of his firm offices registered under RCW 18.04.205.

DATED this _____ day of _____ 2011.

WASHINGTON STATE BOARD OF ACCOUNTANCY

Donald F. Aubrey, CPA
Chair

MOTION TO VACATE DEFAULT

Pursuant to RCW 34.05.440(3), you have seven (7) days from the date this Order was mailed to file a written motion requesting that this Order be vacated, and stating the grounds relied upon. A motion to vacate together with any argument in support thereof should be filed by mailing or delivering it directly to the Washington State Board of Accountancy, 711 Capitol Way South, Suite 400, P. O. Box 9131, Olympia, Washington 98507-9131.

The filing of a motion to vacate does not stay the effectiveness of this Order and is not a prerequisite for filing a petition for judicial review pursuant to chapter 34.05 RCW.

**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 or CPA Firm of:

John M. Caughell,

Respondent.

No. ACB-1311

APPENDIX A

RCW 18.04.195 License required -Requirements -Application -Fees. (1) The board shall grant or renew licenses to practice as a CPA firm to applicants that demonstrate their qualifications therefore in accordance with this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

RCW 18.04.205 Registration of offices -Requirements -Rules -Fees. (1) Each office established or maintained in this state for the purpose of offering to issue or issuing attest or compilation reports in this state or that uses the title "certified public accountant" or "CPA," shall register with the board under this chapter every three years.

(2) Each office established or maintained in this state shall be under the direct supervision of a resident licensee holding a license under RCW 18.04.105 and 18.04.215 . . . [2008 c 16 § 4; 2001 c 294 § 12; 1999 c 378 § 6; 1992 c 103 § 9; 1986 c 295 § 9; 1983 c 234 § 10.]

RCW 18.04.295 Actions against CPA license. The board shall have the power to: Revoke, suspend, or refuse to issue, renew, or reinstate a license or certificate; impose a fine in an amount not to exceed thirty thousand dollars plus the board's investigative and legal costs in bringing charges against a certified public accountant, a certificate holder, a licensee, a licensed firm, an applicant, a non-CPA violating the provisions of RCW 18.04.345, or a nonlicensee holding an ownership interest in a licensed firm; may impose full restitution to injured parties; may impose conditions precedent to renewal of a certificate or a license; or may prohibit a nonlicensee from holding an ownership interest in a licensed firm, for any of the following causes . . .

(3) A violation of any provision of this chapter . . .

(9) Failure to cooperate with the board by:

(a) Failure to furnish any papers or documents requested or ordered by the board . . . [2004 c 159 § 4; 2003 c 290 § 3; 2001 c 294 § 14; 2000 c 171 § 1; 1992 c 103 § 11; 1986 c 295 § 11; 1983 c 234 § 12.]

RCW 18.04.345 Prohibited practices.

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

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

(4) No firm may perform the services defined in RCW 18.04.025(1) (a), (c), or (d) for a client with its home office in this state unless the firm is licensed under RCW 18.04.195, renews the firm license as required under RCW 18.04.215, and all offices of the firm in this state are maintained and registered under RCW 18.04.205 . . . [2009 c 116 § 1; 2008 c 16 § 5; 2001 c 294 § 17; 1999 c 378 § 8; 1992 c 103 § 14; 1986 c 295 § 15; 1983 c 234 § 16.]

RCW 18.04.380 Advertising falsely — Effect. (1) The display or presentation by a person of a card, sign, advertisement, or other printed, engraved, or written instrument or device, bearing a person's name in conjunction with the words "certified public accountant" or any abbreviation thereof shall be prima facie evidence in any action brought under this chapter that the person whose name is so displayed, caused or procured the display or presentation of the card, sign, advertisement, or other

printed, engraved, or written instrument or device, and that the person is holding himself or herself out to be a licensee, a certified public accountant, or a person holding a certificate under this chapter.

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

WAC 4-25-551 Must I respond to inquiries from the board? Yes. All licensees, including out-of-state individuals qualifying for practice privileges in this state under RCW 18.04.350(2) and out-of-state firms permitted to offer or render certain professional services in this state under the condition prescribed in RCW 18.04.195 (1)(b), CPA-Inactive certificateholders, nonlicensee firm owners, and applicants must respond, **in writing**, to board communications requesting a response. Your response must be made within **twenty days of the date** the board's communication is posted in the U.S. mail. Communications from the board to you are directed to the last address you furnished the board. [Statutory Authority: RCW 18.04.055(16). 08-18-016 § 4-25-551, filed 08/25/08, effective 9/25/08; 05-01-137, § 4-25-551, filed 12/16/04, effective 1/31/05; 01-22-036, § 4-25-551, filed 10/30/01, effective 12/1/01. Statutory Authority: RCW 18.04.055. 98-12-047, § 4-25-551, filed 5/29/98, effective 6/29/98; 93-12-072, § 4-25-551, filed 5/27/93, effective 7/1/93.]

WAC 4-25-650 What acts are considered discreditable? Licensees, CPA-Inactive certificateholders, nonlicensee firm owners, and employees of such persons must not:

(1) Commit, or allow others to commit in their name, any act that reflects adversely on their fitness to represent themselves as a CPA, CPA-Inactive certificateholder, CPA firm, or a firm owner;

(2) Seek to obtain clients by the use of coercion, intimidation or harassing conduct; or

(3) Permit others to carry out on their behalf, either with or without compensation, acts which violate the rules of conduct. [Statutory Authority: RCW 18.04.055(2). 08-18-016 § 4-25-650, filed 8/25/08, effective 9/25/08; 05-01-137, § 4-25-650, filed 12/16/04, effective 1/31/05; 01-22-036, § 4-25-650, filed 10/30/01, effective 12/1/01. Statutory Authority: RCW 18.04.055. 93-22-090, § 4-25-650, filed 11/2/93, effective 12/3/93.]

WAC 4-25-910 What are the bases for the board to impose discipline? RCW 18.04.055, 18.04.295, 18.04.305, and 18.04.350 authorize the board to revoke, suspend, refuse to issue, renew, or reinstate an individual or firm license, CPA-Inactive certificate, the right to exercise practice privileges in this state, or registration as a resident nonlicensee firm owner; impose a fine not to exceed thirty thousand dollars; recover investigative and legal costs; impose full restitution to injured parties; impose remedial sanctions; impose conditions precedent to renew; or prohibit a resident nonlicensee from holding an ownership interest in a firm licensed in this state for the specific acts listed below.

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

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

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

(10) A violation of the Public Accountancy Act or failure to comply with a board rule contained in chapter 4-25 WAC, by a licensee, defined in WAC 4-25-410, CPA-Inactive certificateholder, or employees of such persons of this state or a licensee of another substantially equivalent state qualified for practice privileges . . .

(11) Violation of one or more of the rules of professional conduct included in chapter 4-25 WAC . . .

(13) Failure to cooperate with the board by failing to:

(a) Furnish any papers or documents requested or ordered to produce by the board . . .

(c) Respond to an inquiry of the board . . . [Statutory Authority: RCW 18.04.055(16), 18.04.195(11)(d), 18.04.295, 18.04.305, and 18.04.350(2). 08-18-016 § 4-25-910, filed 8/25/08, effective 9/25/08. Statutory Authority: RCW 18.04.055(16), 18.04.295, and 18.04.305. 05-01-137, § 4-25-910, filed 12/16/04, effective 1/31/05; 03-24-033, § 4-25-910, filed 11/25/03, effective 12/31/03. Statutory Authority: RCW 18.04.055(11), 18.04.295, and 18.04.305. 02-04-064, § 4-25-910, filed 1/31/02, effective 3/15/02; 00-11-078, § 4-25-910, filed 5/15/00, effective 6/30/00. Statutory Authority: RCW 18.04.055 and 18.04.295. 94-23-070, § 4-25-910, filed 11/15/94, effective 12/16/94.]

**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 or CPA
Firm of:

Shaun T. Han, and
Shaun T. Han, CPA, P.S.,

Respondents.

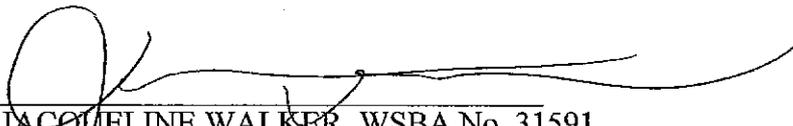
NO. ACB-1291

MOTION FOR ENTRY OF
ORDER ON DEFAULT

COMES NOW the Washington State Board of Accountancy, appearing by and through its attorneys, ROBERT M. MCKENNA, Attorney General, and Jacqueline Walker, Assistant Attorney General, and moves the Board for entry of a final order against Respondents. This motion is based on Respondents' failure to respond to the Statement of Charges served on them on June 14, 2011, 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 service and of the allegations contained in the Statement of Charges.

Respectfully submitted this 8th day of September, 2011.

ROBERT M. MCKENNA
Attorney General


JACQUELINE WALKER, WSBA No. 31591
Assistant Attorney General

**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 or CPA
Firm of:

Shaun T. Han, and
Shaun T. Han, CPA, P.S.,

Respondents.

NO. ACB-1291

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.
2. The Washington State Board of Accountancy has jurisdiction over the certification, licensing, and discipline of certified public accountants in the State of Washington.
3. The Respondent, Shaun T. Han, held a valid Certified Public Accountant (CPA) certificate (No. 18038) in the state of Washington at all times material hereto. The Respondent held a license to practice public accounting as a CPA through June 30, 2010. The Respondent was the sole owner of the CPA firm, Shaun T. Han, CPA, PS (a professional service corporation). Shaun T. Han, CPA, P.S. held a CPA firm license (No. 4032) to practice as a CPA firm in the state of Washington through June 30, 2010.
4. The Board mailed a Statement of Charges, Answer to Statement of Charges, Notice of Opportunity to Defend and Appendix A to Respondents by United States certified mail, return receipt requested, and by United States first class mail on June 14, 2011, addressed to

the last address the Respondent provided to the Board for the Respondent's firm (1421 34th Avenue, Seattle, WA 98122) and to the last address Respondent provided to the Board for Respondent's individual license (1524 33rd Avenue S, Seattle, WA 98144).

5. Neither the certified mailing nor the first class mailing to the last address the Respondent provided to the Board for the Respondent's firm (1421 34th Avenue, Seattle, WA 98122) have been returned to the Board.
6. The certified mailing to the last address the Respondent provided to the Board for Respondent's individual license (1524 33rd Avenue S, Seattle, WA 98144) was returned unopened to the Board on July 21, 2011, by the United States Postal Service marked "RETURNED TO SENDER MOVED, LEFT NO ADDRESS." The first class mailing to the last address the Respondent provided to the Board for Respondent's individual license (1524 33rd Avenue S, Seattle, WA 98144) has not been returned to the Board.
7. The Respondents have 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 1-7, 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 documents identified as **Exhibit 1** are a Declaration of Jennifer Sciba, QAR Program Manager, and a copy of the 2009 Quality Assurance Review (QAR) Status form that she mailed to CPA firms included in the Board's 2009 Quality Assurance Review (QAR) program, on January 7, 2009, including the Respondent firm. The Respondent was required to complete the 2009 Quality Assurance Review status form and return it to the Board with the required documents and fee by April 30, 2009. The Respondents failed to respond.

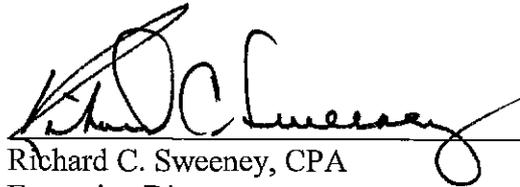
10. The attached document identified as **Exhibit 2** is a photocopy of a Final Notice the Board mailed to the Respondent firm on May 20, 2009, by U.S. First Class Mail to the last address the Respondent provided to the Board for the Respondent's firm (1421 34th Avenue, Seattle, WA 98122). The Respondents' response was due on June 9, 2009. The Respondents failed to respond. On June 23, 2009, the Board contacted the Respondent by telephone as indicated by the note on Exhibit 2. The Respondents failed to respond. The United States Postal Service did not return the May 20, 2009, mailing to the Board.
11. The attached document identified as **Exhibit 3** is a photocopy of the June 30, 2010, *Request to Relinquish a CPA Firm License* the Respondent submitted to the Board for the firm Shaun T. Han, CPA, P.S. The CPA firm license issued to Shaun T. Han, CPA, P.S. expired June 30, 2010.
12. The attached document identified as **Exhibit 4** is a printout of portions of the Respondent Shaun T. Han's June 30, 2010, on-line individual CPA license renewal application. On June 30, 2010, the Respondent made application for the renewal the Respondent's individual CPA license through the Board's on-line application system and paid the appropriate renewal fee of \$230 and the \$100 late filing fee. In response to the questions: (1) "Have you completed a Washington State Board approved ethics course required for this renewal period prior to December 31st" and (2) "Have you completed the required CPE for this renewal period prior to December 31st," the Respondent advised the Board: "I will make sure and complete this ASAP." On July 9, 2010, the Board e-mailed the Respondent through the Board's on-line application system inquiring if he had signed up to take any continuing professional education (CPE) and how many hours of CPE he had completed by December 31, 2009. The Respondent failed to respond.

13. The attached document identified as **Exhibit 5** is a photocopy of the December 22, 2010, letter to the Respondent denying the Respondent's on-line CPA license renewal application and refunding the Respondent's application fee and late fee.
14. The attached documents identified as **Exhibit 6** are photocopies of the Statement of Charges, Answer to Statement of Charges, Notice of Opportunity to Defend, Appendix A, and Declaration of Service mailed to the last address the Respondent provided to the Board for the Respondent's firm (1421 34th Avenue, Seattle, WA 98122) and to the last address Respondent provided to the Board for Respondent's individual license (1524 33rd Avenue S, Seattle, WA 98144).
15. The attached documents identified as **Exhibit 7** are photocopies of: (1) the U.S. Postal Service Certified Mail Receipts showing the documents described in Paragraph 14 were mailed to the last address the Respondent provided to the Board for the Respondent's firm (1421 34th Avenue, Seattle, WA 98122) and to the last address Respondent provided to the Board for Respondent's individual license (1524 33rd Avenue S, Seattle, WA 98144); and (2) the unopened envelope containing the documents described in Paragraph 14 mailed to the last address the Respondent provided to the Board for Respondent's individual license (1524 33rd Avenue S, Seattle, WA 98144). The U.S. Postal Service returned the June 14, 2011, mailing to the Board's office on July 21, 2011, unopened and marked "RETURNED TO SENDER MOVED, LEFT NO ADDRESS." The first class mailing to the last address the Respondent provided to the Board for Respondent's individual license (1524 33rd Avenue S, Seattle, WA 98144) has not been returned to the Board. Neither the certified mailing nor the first class mailing to the last address the Respondent provided to the Board for the Respondent's firm (1421 34th Avenue, Seattle, WA 98122) have been returned to the Board.

16. The attached documents form the basis for the Board of Accountancy's request for sanctions and are submitted in support of the Board's proposed Findings of Fact, Conclusions of Law and Default Order.
17. All documents that were mailed to Respondents, as referenced herein, were mailed to the to the last address the Respondent provided to the Board for the Respondent's firm (1421 34th Avenue, Seattle, WA 98122) and to the last address Respondent provided to the Board for Respondent's individual license (1524 33rd Avenue S, Seattle, WA 98144). No other address for Respondents is known to the Board from its investigation of this matter.
18. The Washington State Board of Accountancy requests that the Board impose the sanctions set forth in the proposed Findings of Fact, Conclusions of Law and Default Order.

DATED this 19th day of September, 2011, in Olympia, Washington.

WASHINGTON STATE BOARD OF ACCOUNTANCY



Richard C. Sweeney, CPA
Executive Director

**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 or CPA
Firm of:

Shaun T. Han, and
Shaun T. Han, CPA, P.S.,

Respondents.

NO. ACB-1291

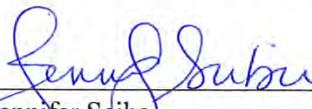
DECLARATION OF
JENNIFER SCIBA

I, JENNIFER SCIBA, declare as follows:

1. I am the Quality Assurance Review Program Manager for the Washington State Board of Accountancy. The matters set forth in this Declaration are based upon my personal knowledge.
2. CPA firm are required to participate in the Board's Quality Assurance Review (QAR) every three years. The CPA firm Shaun T. Han, CPA, P.S. participated in the Board's 2000, 2003, and 2006 Quality Assurance Reviews.
3. The CPA firm Shaun T. Han, CPA, P.S. was included in the Board's 2009 Quality Assurance Review as part of its regular three-year cycle.
4. On January 7, 2009, I mailed a 2009 Quality Assurance Review (QAR) Status form to the CPA firm Shaun T. Han, CPA, P.S. at 1421 – 34th Avenue, Seattle, WA 98122 by US First Class mail. Attached is a copy of the form mailed to CPA firms included in the Board's 2009 QAR.

I declare under penalty of perjury under the laws of the state of Washington that the foregoing is true and correct.

Signed this 16 day of September, 2011, in Olympia, Thurston County, Washington.



Jennifer Sciba

Quality Assurance Review Program Manager

DECLARATION OF
JENNIFER SCIBA

1

ATTORNEY GENERAL OF WASHINGTON
Licensing & Administrative Law Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104
(206) 464-7676



**Washington State Board of Accountancy
2009 Quality Assurance Review (QAR) Status Form**

Due Date: April 30, 2009**

Mailing Address: PO Box 43113, Olympia, Washington 98504-3113

Contact: Jennifer Sciba 360-586-0952

QAR File #: «FileNumber»
Firm #: «FirmLicenseNumber»

«CompleteName»
«Address1»
«Address2»
«City» «State» «Zip»

Address Correction: _____

Daytime Phone # _____ **Email Address:** _____

Every three years a CPA firm licensed by the Washington Board must participate in the QAR program. Your firm is therefore required to participate in the 2009 QAR program. **All firms must submit reports to the Board for review unless they qualify for a Limited Scope Exemption or a Peer Review exemption.** Complete the appropriate section of this form (A, B, or C), sign the certification on the reverse side of the form, and return it to the Board with the required documents and fee by **April 30, 2009.**

****Late Fee: Forms postmarked after April 30, 2009 MUST include a \$100 late fee to be processed.**

NOTE: Admission or departure of an owner; or a change in the name of the firm; or a change in the managing licensee of the main office constitutes a firm amendment. You must notify the Board of firm amendments within 90 days of the change by submitting a CPA Firm License Amendment form with the \$35 fee. The firm's QAR participation year does not change as a result of a firm amendment.

A. Reports Submitted for Review (Fee \$400)

*Firms not requesting an exemption in Section B or C must submit copies of each type of report issued during the 12-month period **May 1, 2008 to April 30, 2009.** If reports were not issued during this time period, the firm must submit reports issued during the period May 1, 2006 through April 30, 2008.*

	Industry Type	Entity Type
AUDIT report and financial statements are enclosed	_____	_____
REVIEW report and financial statements are enclosed	_____	_____
COMPILATION report and financial statements are enclosed	_____	_____
AGREED-UPON PROCEDURES report and any detailed schedules or statements (if applicable) are enclosed	_____	_____
FORECAST report and forecasted financial statements are enclosed	_____	_____
PROJECTION report and projected financial statements are enclosed	_____	_____
INTERNAL CONTROL report is enclosed	_____	_____
PERFORMANCE AUDIT report and any detailed schedules or statements (if applicable) are enclosed	_____	_____

Enter the industry type and entity type of each report submitted - see attached enclosure for details

B. Limited Scope of Practice Exemption Request (NO FEE)

To request an exemption due to limited scope of practice, **initial** the following statement:

Initials _____ The firm did not issue any of the reports listed in Section A during the three year period May 1, 2006 through April 30, 2009.

THIS IS A TWO SIDED FORM – PLEASE COMPLETE REVERSE SIDE

C. Peer Review Exemption Request (Fee \$60)

A firm may request a peer review exemption if they participate in a Board approved peer review program. Firms that participate in a Public Company Accounting Oversight Board (PCAOB) Inspection or the AICPA Peer Review Program may qualify for this exemption. Firms receiving an **adverse** peer review grade do not qualify for a peer review exemption. These firms must submit reports to the Board for review (see Section A).

Please note: The AICPA issues the following types of peer review reports based on a firm's clientele:

- Firms that serve only SEC registered clients - the PCAOB Inspection is performed.
- Firms that serve SEC registered clients **and** non-public clients – the PCAOB Inspection **and** the AICPA peer review is performed.
- Firms that serve only non-public clients - the AICPA peer review (System Review or Engagement Review) is performed.

To request a peer review exemption, **initial** the appropriate statement(s) below

Initials _____ The firm (or a portion of the firm) has undergone a PCAOB Inspection within the 3-year period ending April 30, 2009. I certify the firm is registered with the PCAOB.

Initials _____ The firm has undergone an AICPA peer review (System Review or Engagement Review) within the 3-year period ending April 30, 2009. You **must** attach copies of the following review documents: Peer Review Report, Letter of Comment (if any), Response to the Letter of Comment (if any) and the Final Acceptance Letter from the AICPA. The Board does not accept the **Report Review** level of the AICPA's Peer Review Program.

Initials _____ **Peer Review Extension Request** – The firm is undergoing a Board approved peer review (one of the above programs) which **will be completed by October 31, 2009**. The firm will submit copies of all required peer review documents as soon as possible, but not later than December 31, 2009.

Fees – Total all fees that apply and make check payable to the Washington State Board of Accountancy

	Amount
Section A - Reports and Financial Statements Submitted for Review.....	\$ 400
Section B – Limited Scope Exemption Request	\$ 0
Section C – Peer Review Exemption Request.....	\$ 60
Late Fee – Forms postmarked after April 30, 2009 MUST include late fee to be processed.....	\$ 100
Total Amount Enclosed	\$ _____

Firm Profile & Certification

Number of firm owners that participate in the issuance of reports: _____

Estimated percentage of firm time devoted to the report function annually: _____

Estimate the number of reports performed annually for the following types of reports:

Audit Report_____	Forecast_____
Review Report_____	Projection_____
Compilation Report_____	Internal Control_____
Agreed-upon Procedures Report_____	Performance Audit_____

I certify under the penalty of perjury that the information on this form is true and correct.

Signature: _____ Date: _____ Email Address: _____

Location (City, State/Province, Country): _____ Firm's Website Address: _____



STATE OF WASHINGTON
BOARD OF ACCOUNTANCY

PO Box 9131 • Olympia, Washington 98507-9131
(360) 753-2585 • FAX (360) 664-9190 • www.cpaboard.wa.gov

May 20, 2009

SHAUN T. HAN, CPA, P.S.
1421 34TH AVENUE
SEATTLE, WA 98122

****FINAL NOTICE****

SUBJECT: Failure to Respond - 2009 Quality Assurance Review (QAR) Program
QAR File: 20090226

RESPONSE DUE: June 9, 2009

This final notice is being sent to advise you that we have not received the 2009 QAR Status form. If we do not receive the QAR Status form with the appropriate fees (including the \$100 late fee) in our office by **June 9, 2009**, your file will be forwarded to enforcement for further action.

Board rules require CPAs to respond in writing within twenty days of Board inquiry. Your response is due **June 9, 2009**. If you believe a response was forwarded, please contact Jennifer Sciba, QAR Administrator immediately at (360) 586-0952.

Sincerely,

Richard Sweeney, CPA
Executive Director

6/23/09 LMM
206 219 1505

Please be advised the Washington State Board of Accountancy is required to comply with the Public Disclosure Act Chapter 42.56 RCW. This act establishes a strong state mandate in favor of disclosure of public records. As such, the information you submit to the Board, including personal information, may ultimately be subject to disclosure as a public record.



Request to
Relinquish a
CPA Firm License

Board of Accountancy
Washington State



NO FEE

Complete this application if you wish to relinquish your CPA firm license effective immediately.

FIRM INFORMATION	
Firm Name: <u>Shawn T. Hen CPA, P.S.</u>	Firm #: <u>4052</u>
Mailing Address (including city, state, zipcode): <u>1421 34th Ave</u> <u>Seattle, WA 98122</u>	Daytime Phone: <u>(206) 219-1505</u> Email Address: <u>Shaun@shawnhencpa.com</u> Website Address: _____

CERTIFICATION SECTION - To be completed by the proprietor or managing licensee of the main office.	
I certify that:	
<input checked="" type="checkbox"/> I wish to relinquish my CPA firm license.	
<input type="checkbox"/> While my CPA firm license is relinquished, I will not offer any attest or compilation services.	
<input type="checkbox"/> I will not use the title CPA or Certified Public Accountants, CPA firm or any other title tending to indicate the firm is a CPA firm.	
<input type="checkbox"/> I have enclosed the current CPA firm license.	
<input type="checkbox"/> The information on this form is true and correct.	
Signature: _____	Date: <u>6/30/10</u>

Mail to: PO Box 43113, Olympia, WA 98504
Physical: 1110 Capitol Way Suite 260, Olympia, WA 98501

Contact: (360) 753-2586

Please be advised: The Washington State Board of Accountancy is required to comply with the Public Disclosure Act, Chapter 42.56 RCW. The information you submit to the Board may ultimately be subject to disclosure as a public record.

Revised October 2008

18038 Application Responses - he pended
 due to reporting no on ethics and no on
 CPE

ApplicationID	Applicant Response	Answer	Date	Question#	Question text
5742		No	6/30/2010	1	Since your last renewal have you been convicted of a felony?
5742		No	6/30/2010	2	Since your last renewal have you been convicted of crime involving dishonesty?
5742		No	6/30/2010	10	Since your last renewal have you been issued an order, sanction, or modification of a license, certificate, permit or practice rights by the SEC, PCAOB, IRS, AICPA, GAO, OIG, or any other federal regulatory or oversight agency or federal standards setting body, or another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the CPE requirements of another state board of accountancy?
5742		No	6/30/2010	11	Since your last renewal have charges been filed by or have you been notified of an investigation undertaken by the SEC, PCAOB, IRS, AICPA, GAO, OIG, or any other federal regulatory or oversight agency or federal standards setting body, another state board of accountancy, or state taxing, insurance or securities regulatory body regarding a prohibited act that would be a violation of board ethical or technical standards?
5742		No	6/30/2010	5	Do you have or have you applied for a license, certificate or permit to practice in any other state or foreign jurisdiction?
5742	I will make sure and complete this ASAP	No	6/30/2010	6	Have you completed a Washington State Board approved ethics course, required for this renewal period, prior to December 31st?
5742	I will make sure and complete this ASAP	No	6/30/2010	7	Have you completed the required CPE for this renewal period, prior to December 31st?

Ethics Course Reported
 None reported

Pending Reason
 The application pended because of answering no to Ethics and CPE

Application Approval
 Application non renewal by Kelly on 12/08/2010

Action Code	Date	Comments	Notify User	Staff	Date
Online Transaction	7/9/2010	Hello, Please advise if you have signed up to take your necessary CPE. Please also advise how many hours you had completed by December 31, 2009. Thank you, Meranda Scott	Y	Meranda	7/9/2010
Online Transaction	12/6/2010	No CPE taken, not corrective action plan provided, and no response to e-mail sent on 07/09/10. Per ED deny renewal. Refund application and late fees. Must go through the reinstatement process.	N	Meranda	12/6/2010

Attached Documents
 None

2010-020



STATE OF WASHINGTON
BOARD OF ACCOUNTANCY
PO Box 9131 • Olympia, Washington 98507-9131
(360) 753-2585 • FAX (360) 664-9190 • www.cpaboard.wa.gov

December 22, 2010

Shaun T. Han
1524 33RD AVENUE S
SEATTLE, WA 98144
UNITED STATES

SUBJECT: Denial of On-line CPA License Renewal Application & Refund

Dear Shaun T. Han:

The Board received your on-line CPA license renewal application, the \$230 renewal fee and the \$100 late fee. The on-line application states that the CPE requirements for renewal had not been met.

The Public Accountancy Act, RCW 18.04.215(7) provides that renewal of your CPA License is "subject to the requirements of ethics CPE ... prescribed by the Board" and "Failure to furnish this evidence shall make the license lapse and be subject to reinstatement".

Board rule, WAC 4-30-134 (1)(b) [Formerly WAC 4-25-830(1)(b)] *What are the CPE requirements for individuals?* Requires that a CPA Licensee must timely complete 120 hour of CPE including 4 CPE credit hours in ethics meeting the requirements of subsection (3) of that section.

Board rule WAC 4-30-094 [Formerly WAC 4-25-790] states that to file a complete application for renewal you must certify that you had complied with the forgoing CPE requirements as of December 31, 2009 and the supporting documentation requirements of WAC 4-30-138 [Formerly WAC 4-25-833]. The rule further provides that a renewal application is not complete without meeting the CPE certification requirement.

You have failed to meet this requirement.

Accordingly, your CPA license renewal has been denied. Your license was lapsed and is subject to reinstatement. A lapsed licensee may not use the title CPA until the license is reinstated.

A request for a refund in the amount of \$330 has been requested. Your refund will be processed by the Office of Financial Management and sent to you under separate cover within the next few weeks.



Shaun T. Han
December 22, 2010
Page 2

Board rule WAC 4-30-028 [Formerly WAC 4-25-540] permits any person aggrieved by a staff action denying an application to request a brief adjudicative proceeding. You must submit your request for a brief adjudicative proceeding, in writing, to the Board within thirty days after the decision by Board staff is posted in the U.S. mail.

The presiding officer for the brief adjudicative proceeding is Board member designated by the Chair of the Board. After consulting with another Board member, the presiding officer renders a decision either upholding or overturning the decision by Board staff. This decision, called an Order, is mailed to you. You may appeal the decision of the presiding officer to the Board's Vice Chair.

We have implemented an electronic newsletter alert process that keeps you apprised of upcoming deadlines, Board meetings, and any anticipated or implemented changes to statutes, rules, policies, and etc. I encourage you to sign up for the electronic newsletter if you haven't already done so. Signing up is easy, just go to our website at: <http://listserv.wa.gov/cgi-bin/wa?SUBED1=wboa-news&A=1>

If you have any questions or need further assistance please contact us at customerservice@cpaboard.wa.gov or 360-753-2586.

Sincerely,



Richard C. Sweeney, CPA
Executive Director

RCS/ksw

Please be advised the Washington State Board of Accountancy complies with the Public Records Act, Chapter 42.56 RCW. This act establishes a strong state mandate in favor of disclosure of public records. As such, the information you submit to the board, including personal information, may ultimately be subject to disclosure as a public record.

**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 or CPA Firm of:

Shaun T. Han, and
Shaun T. Han, CPA, P.S.,

Respondents.

No. ACB-1291

**STATEMENT
OF CHARGES**

RICHARD C. SWEENEY, CPA, Executive Director for the State of Washington Board of Accountancy, and acting in that capacity, states and alleges as follows:

I. ALLEGED FACTS

1.1 At all times material hereto, the Respondent, Shaun T. Han, held a valid Certified Public Accountant (CPA) certificate (No. 18038) in the state of Washington. The Respondent held a license to practice public accounting as a CPA through June 30, 2010. The Respondent was the sole owner of the CPA firm, Shaun T. Han, CPA, PS (a professional service corporation). Shaun T. Han, CPA, P.S. held a CPA firm license (No. 4032) to practice as a CPA firm in the state of Washington through June 30, 2010.

1.2 On or about January 7, 2009, the Board notified the Respondent firm of the inclusion of the Respondent firm in the Board's 2009 Quality Assurance Review (QAR) program (File Number 20090226). The 2009 Quality Assurance Review status form was due back to the Board by April 30, 2009. The Respondents failed to respond.

1.3 On May 20, 2009, the Board mailed the Respondent firm a final notice to the last address the Respondent firm provided to the Board (1421 34th Avenue, Seattle, WA 98122).

Statement of Charges

1

Shaun T. Han
Shaun T. Han, CPA P.S.

The Respondents' response was due on June 9, 2009. On June 23, 2009, the Board contacted the Respondent by telephone. The Respondents failed to respond.

1.4 On June 30, 2010, the Respondent submitted a *Request to Relinquish a CPA Firm License* to the Board for the firm Shaun T. Han, CPA, P.S. The CPA firm license issued to Shaun T. Han, CPA, P.S. expired June 30, 2010.

1.5 On June 30, 2010, the Respondent made application for the renewal the Respondent's individual CPA license through the Board's on-line application system and paid the appropriate renewal fee of \$230 and the \$100 late filing fee. In response to the questions: (1) "Have you completed a Washington State Board approved ethics course required for this renewal period prior to December 31, 2009" and (2) "Have you completed the required CPE for this renewal period prior to December 31, 2009," the Respondent advised the Board: "I will make sure and complete this ASAP." On July 9, 2010, the Board e-mailed the Respondent inquiring if he had signed up to take any continuing professional education (CPE) and how many hours of CPE he had completed by December 31, 2009. The Respondent failed to respond. The Respondent's individual CPA license lapsed effective July 1, 2010. On December 22, 2010, the Board denied the Respondent's on-line CPA license renewal application and refunded the Respondent's application fee and late fee.

II. ALLEGED VIOLATIONS

2.1 The Respondent's acts and omissions described in Paragraphs 1.2 and 1.3 constitute violation of WAC 4-25-610 that sets the rules governing the conduct of CPAs and CPA firms requiring them to use due care to comply with federal and state laws and the profession's technical and ethical standards; WAC 4-25-551 (recodified as WAC 4-30-034) that requires CPAs and CPA firms to respond in writing within 20 days to inquiries from the Board requesting a response; WAC 4-25-820(3)(b) (recodified as WAC 4-30-130) that requires a

licensed firm with an office in this state to participate in the Board's quality assurance review program and submit a quality assurance review status form, along with the appropriate fee, by the following April 30th. WAC 4-25-910 (recodified as WAC 4-30-142) identifies failure to comply with Board rules and violation of one or more of the rules of professional conduct as bases for the Board to impose discipline. (See Appendix A for reproduction of the rules.)

2.2 The Respondent's acts and omissions described in paragraph 1.5. constitute violation of RCW 18.04.215 that requires CPAs to submit proof of having completed CPE; WAC 4-25-830 (recodified as WAC 4-30-134) that requires CPAs to complete 120 CPE hours including four CPE hours in professional ethics and regulations with specific application to the practice of public accounting in Washington State during the three calendar year period prior to renewal. WAC 4-25-910 (recodified as WAC 4-30-142) identifies violation of the Public Accountancy Act or failure to comply with Board rules; as bases for the Board to impose discipline. (See Appendix A for reproduction of the rules.)

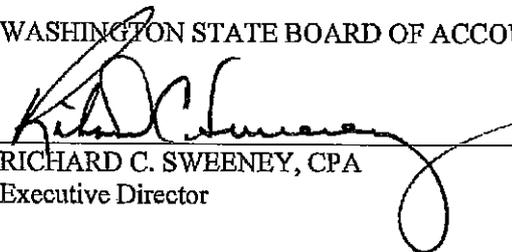
2.3 The violations described in paragraphs 2.1 and 2.2 constitute grounds for sanctions pursuant to RCW 18.04.295, RCW 18.04.305 and chapter 18.04 RCW including but not limited to the denial, revocation, suspension, or refusal to renew or reinstate the Respondent's Certified Public Accountant certificate and/or any license of the Respondent, the imposition of a fine plus the Board's investigative and legal costs, and imposition of full restitution to injured parties.

WHEREFORE, Richard C. Sweeney alleges that the conduct referred to in this Statement of Charges affects the public health, safety and welfare, that a notice be issued and served as provided by law to Shaun T. Han giving him the opportunity to defend against the accusations of this Statement of Charges and provided that if he fails to defend against these accusations, that an order be entered imposing sanctions pursuant to RCW 18.04.295 including but not limited to

suspending, revoking, or refusing to renew his certificate as a CPA and/or denying, suspending, revoking, or refusing to renew any license issued under Chapter 18.04 RCW, imposing a fine plus the Board's investigative and legal costs, and/or imposing full restitution to injured parties.

DATED at Olympia, this 14th day of June 2011.

WASHINGTON STATE BOARD OF ACCOUNTANCY



RICHARD C. SWEENEY, CPA
Executive Director

**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 or CPA Firm of:

Shaun T. Han, and
Shaun T. Han, CPA, P.S.,

Respondents.

No. ACB-1291

ANSWER TO
STATEMENT
OF CHARGES

Enter your answer below, sign, date and return this form within twenty (20) days after you are served (which is the date of deposit in the U.S. mail, if service is by mail, WAC 10-08-110) to:

Washington State Board of Accountancy
711 Capitol Way South, Suite 400, Mail Stop 43110
Post Office Box 9131
Olympia, Washington 98507-9131

If you desire a hearing, you must complete and return this form so that it is received at the above address within twenty (20) days of service. Failure to do so will constitute a waiver of hearing and result in a default (see RCW 34.05.440), and the Board may proceed to resolve your case without further notice, or hearing for your benefit. This may include the possible denial, suspension, revocation, or refusal to renew your certified public accountant (CPA) certificate and/or the denial, suspension, revocation, or refusal to renew your license(s) to practice in the state of Washington, and/or the imposition of a fine plus the Board's investigation and legal costs, and/or the imposition of full restitution to injured parties.

INSTRUCTIONS: Circle and initial your response and mail this document to the address set forth above.

Answer to Statement of Charges

1

Shaun T. Han
Shaun T. Han, CPA P.S.

I.

I [DO] [DO NOT] request a hearing in this matter.

II.

I [WILL] [WILL NOT] be represented by an attorney. His/her name and address is:

III.

INSTRUCTIONS: list by Roman numeral in the spaces provided below, the admitted charges of the Statement of Charges. If you admit all of the charges, state "all." If you do not contest or if you deny any or all charges, see sections (2) and (3) of this paragraph.

(1) I DO ADMIT the following charges contained in the Statement of Charges:

(2) I DO NOT CONTEST the following charges contained in the Statement of Charges:

(3) I DENY the following charges contained in the Statement of Charges:

IV.

I [HAVE] [HAVE NOT] attached a sworn statement in my defense or in mitigation of the charges.

V.

You have the right to: demand a hearing; be represented by an attorney at your own expense at the hearing; subpoena witnesses or the production of books or documents, and otherwise defend against the Statement of Charges.

INTERPRETER REQUEST: I request that a qualified interpreter be appointed at no cost to me to interpret for (myself) or (my witness(es)). My, or my witness(es), primary language is _____ (identify language). My, or my witness(es), hearing impaired status is _____ (identify hearing impaired status). I understand that a qualified interpreter will be appointed at no cost to me or to my witness(es).

DATED this ___ day of _____, 2011.

****SIGN****

Respondent

**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 or CPA Firm of:

Shaun T. Han, and
Shaun T. Han, CPA, P.S.,

Respondents.

No. ACB-1291

NOTICE OF OPPORTUNITY
TO DEFEND
STATEMENT OF CHARGES

THE STATE OF WASHINGTON TO: Shaun T. Han and Shaun T. Han, CPA, P.S.

YOU ARE HEREBY NOTIFIED that a Statement of Charges has been filed with the Washington State Board of Accountancy, a true and correct copy of which is attached and made a part hereof.

YOU ARE HEREBY NOTIFIED that you may within twenty (20) days of the date you are served this notice (which is the date of deposit in the U.S. mail, if service is by mail, WAC 10-08-110), demand a formal hearing before the Washington State Board of Accountancy on the Statement of Charges. To demand a hearing you must complete and return the enclosed Answer to Statement of Charges requesting a hearing. If you demand a hearing, you will be subsequently notified of the time and place set for the hearing at least seven (7) days in advance of the hearing. See chapters 10-08 and 4-25 WAC and chapter 34.05 RCW for rules and statutes governing discovery, appearances and appeals.

ALTERNATIVELY, you may waive the formal hearing and, in lieu thereof, submit a written statement for consideration by the Board prior to disposition of the Statement of Charges. To exercise either alternative, merely check the appropriate box on the attached Answer to Statement of Charges form, sign, date and return it to the Washington State Board of

Notice of Opportunity to Defend

1

Shaun T. Han
Shaun T. Han, CPA P.S.

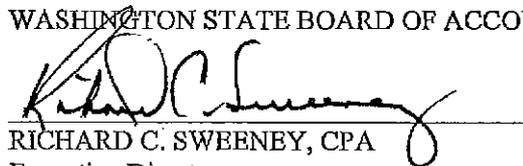
Accountancy; 711 Capitol Way South, Suite 400, Mail Stop 43110; Post Office Box 9131;
Olympia, Washington 98507-9131.

YOU ARE HEREBY FURTHER NOTIFIED that if you do not return the Answer to Statement of Charges form so that it is received within twenty (20) days from the date you are served this notice, this will constitute a waiver of your right to a hearing and result in a default (See RCW 34.05.440), and the Board may proceed to resolve your case without further notice, or hearing for your benefit. This may include the possible denial, suspension, revocation, or refusal to renew your certified public accountant (CPA) certificate and/or the denial, suspension, revocation, or refusal to renew your license(s) to practice in the state of Washington, and/or the imposition of a fine plus the Board's investigation and legal costs, and/or the imposition of full restitution to injured parties.

INTERPRETER AVAILABILITY: If you or a witness for you are a person who, because of a non-English speaking cultural background, cannot readily speak or understand the English language, or if you or a witness for you are a person who, because of a hearing impairment or speech defects, cannot readily understand or communicate in spoken language, including persons who are deaf, deaf and blind, or hard of hearing AND YOU NEED AN INTERPRETER, then a qualified interpreter will be appointed at no cost to you or to the witness. You may request the appointment of a qualified interpreter by indicating your request on the attached Answer to Statement of Charges form.

DATED at Olympia, this 14th day of June 2011.

WASHINGTON STATE BOARD OF ACCOUNTANCY


RICHARD C. SWEENEY, CPA
Executive Director

**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 or CPA
Firm of:

Shaun T. Han
Shaun T. Han, CPA, P.S.

Respondents.

No. ACB-1291

APPENDIX A

RCW 18.04.215 Licenses--Issuance--Renewal and reinstatement--Continuing professional education--Fees--Notification of sanction/suspension/revocation of license. (1)
Three-year licenses shall be issued by the board:

- (a) To persons meeting the requirements of RCW 18.04.105(1), 18.04.180, or 18.04.183.
- (b) To certificate holders meeting the requirements of RCW 18.04.105(4).
- (c) To firms under RCW 18.04.195, meeting the requirements of RCW 18.04.205.

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

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

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

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

(b) Establish CPE requirements . . .

(7) A licensee shall submit to the board satisfactory proof of having completed an accumulation of one hundred twenty hours of CPE recognized and approved by the board during the preceding three years. Failure to furnish this evidence as required shall make the license lapse

and subject to reinstatement procedures, unless the board determines the failure to have been due to retirement or reasonable cause.

The board in its discretion may renew a certificate or license despite failure to furnish evidence of compliance with requirements of CPE upon condition that the applicant follow a particular program of CPE. In issuing rules and individual orders with respect to CPE requirements, the board, among other considerations, may rely upon guidelines and pronouncements of recognized educational and professional associations, may prescribe course content, duration, and organization, and may take into account the accessibility of CPE to licensees and certificate holders and instances of individual hardship . . . [2003 c 290 § 2; 2001 c 294 § 13; 1999 c 378 § 7; 1992 c 103 § 10; 1986 c 295 § 10; 1983 c 234 § 11.]

RCW 18.04.295 Actions against CPA license. The board shall have the power to: Revoke, suspend, or refuse to issue, renew, or reinstate a license or certificate; impose a fine in an amount not to exceed thirty thousand dollars plus the board's investigative and legal costs in bringing charges against a certified public accountant, a certificate holder, a licensee, a licensed firm, an applicant, a non-CPA violating the provisions of RCW 18.04.345, or a nonlicensee holding an ownership interest in a licensed firm; may impose full restitution to injured parties; may impose conditions precedent to renewal of a certificate or a license; or may prohibit a nonlicensee from holding an ownership interest in a licensed firm, for any of the following causes . . .

(3) A violation of any provision of this chapter;

(4) A violation of a rule of professional conduct promulgated by the board under the authority granted by this chapter . . .

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

(9) Failure to cooperate with the board by:

(a) Failure to furnish any papers or documents requested or ordered by the board; . . .

[2004 c 159 § 4; 2003 c 290 § 3; 2001 c 294 § 14; 2000 c 171 § 1; 1992 c 103 § 11; 1986 c 295 § 11; 1983 c 234 § 12.]

RCW 18.04.305 Actions against firm license. The board may revoke, suspend, or refuse to renew the license issued to a firm if at any time the firm does not meet the requirements of this chapter for licensing, or for any of the causes enumerated in RCW 18.04.295, or for any of the following additional causes:

(1) The revocation or suspension of the sole-practitioner's license or the revocation or suspension or refusal to renew the license of any partner, manager, member, or shareholder;

(2) The revocation, suspension, or refusal to renew the license of the firm, or any partner, manager, member, or shareholder thereof, to practice public accounting in any other state or foreign jurisdiction for any cause other than failure to pay a fee or to meet the CPE requirements of the other state or foreign jurisdiction;

(3) Failure by a nonlicensee owner of a licensed firm to comply with the requirements of this chapter or board rule; or

(4) Failure of the firm to comply with the requirements of this chapter or board rule.

[2001 c 294 § 15; 1992 c 103 § 12; 1986 c 295 § 12; 1983 c 234 § 13.]

WAC 4-25-551 Must I respond to inquiries from the board? Yes. All licensees, including out-of-state individuals qualifying for practice privileges in this state under RCW 18.04.350(2) and out-of-state firms permitted to offer or render certain professional services in this state under the condition prescribed in RCW 18.04.195 (1)(b), CPA-Inactive certificateholders, nonlicensee firm owners, and applicants must respond, **in writing**, to board communications requesting a response. Your response must be made within **twenty days of the date** the board's communication is posted in the U.S. mail. Communications from the board to you are directed to the last address you furnished the board. [Statutory Authority: RCW 18.04.055(16). 08-18-016 § 4-25-551, filed 08/25/08, effective 9/25/08; 05-01-137, § 4-25-551, filed 12/16/04, effective 1/31/05; 01-22-036, § 4-25-551, filed 10/30/01, effective 12/1/01. Statutory Authority: RCW 18.04.055. 98-12-047, § 4-25-551, filed 5/29/98, effective 6/29/98; 93-12-072, § 4-25-551, filed 5/27/93, effective 7/1/93.]

WAC 4-25-610 Which rules govern the conduct of CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners? The rules that govern the conduct of CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners are as follows:

(1) **Professional judgment** In carrying out their responsibilities, a person representing oneself as a licensee, CPA-Inactive certificateholder, or nonlicensee firm owner, and/or using the CPA or CPA-Inactive title, and employees of such persons must exercise professional judgment in all their activities.

(2) **The public interest** A person representing oneself as a licensee, CPA-Inactive certificateholder, or nonlicensee firm owner, and/or using the CPA or CPA-Inactive title, and employees of such persons must accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism.

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

(4) **Objectivity** Objectivity is to be maintained by a person representing oneself as a licensee, CPA-Inactive certificateholder, or nonlicensee firm owner, and/or using the CPA or CPA-Inactive title, and employees of such persons. Specifically, such persons must:

(a) Avoid rendering professional services where actual or perceived conflicts of interest exist;

(b) Be independent in fact and appearance when providing attestation services.

(5) **Due care** A person representing oneself as a licensee, CPA-Inactive certificateholder, or nonlicensee firm owner, and/or using the CPA or CPA-Inactive title, and employees of such persons must comply with federal and state laws and the profession's technical and ethical standards, maintain competence and strive to improve the quality of services, and discharge professional responsibility to the best of the person's or the firm's ability. [Statutory Authority: RCW 18.04.055(2). 08-18-016 § 4-25-610, filed 8/25/08, effective 9/25/08; 05-01-137, § 4-25-610, filed 12/16/04, effective 1/31/05; 02-04-064, § 4-25-610, filed 1/31/02, effective 3/15/02. Statutory Authority: RCW 18.40.055. 93-22-046, § 4-25-610, filed 10/28/93, effective 11/28/93.]

WAC 4-25-820 What are the requirements for participating in quality assurance review (QAR)? (1) **Purpose.** The Washington state board of accountancy is charged with

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

(2) Out-of-state firms otherwise qualified for practice privileges under RCW 18.04.195 (1)(b) are responsible for compliance with this section. These firms are exempt from the registration requirements set forth in this section.

(3) Structure and implementation.

(a) The board will annually appoint a quality assurance review committee to perform the following functions:

(i) Review of financial statements and the reports of licensees thereon to assess their compliance with applicable professional standards;

(ii) Review of licensees' reports and information covered by those reports for conformity with applicable professional standards;

(iii) Improvement of reporting practices of licensees through education and rehabilitative measures; and

(iv) Such other functions as the board may assign to the committee.

(b) Once every three years the board requires a licensed firm with an office in this state to participate in the board's quality assurance review program. Participating firms will be required to submit a quality assurance review status form, along with the appropriate fee, by the following April 30th. Failure to submit a complete quality assurance review status form postmarked by the April 30th due date, will result in the assessment of late fees. The board may waive late fees based on individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment.

(c) Each participating firm shall submit, for each of its offices, one licensee report and the information covered by that report, for each of the following types of service or any other service the board determines:

(i) Compilation report on historical financial statements;

(ii) Review report on historical financial statements;

(iii) Audit report on historical financial statements;

(iv) Agreed-upon procedures;

(v) Forecasts;

(vi) Internal controls;

(vii) Performance audits; and

(viii) Projections.

(d) A participating firm shall select these reports from all reports prepared during the twelve months preceding the date of board request or, if no reports have been issued within the last twelve months, from all reports during the preceding three years.

(e) If reports issued by all offices of a firm are reviewed and issued in a controlled, centralized process, only one each of the type of licensee reports, including the information covered by the reports, specified above need be submitted by the firm as a whole.

(f) The board may exempt from the requirement of (c) of this subsection any firm that has participated in a board-approved peer review program within the three years immediately preceding the date of board request.

(g) Firms requesting exemption must submit a copy of an unmodified report, letter of comments, response to letter of comments, if applicable, and letter of acceptance from the reviewing organization. Firms that receive modified peer review reports may request exemption, but must submit copies of such reports and related correspondence, at the discretion of the board, for consideration on an individual basis.

(h) Any documents submitted in accordance with (c) of this subsection may have the name of the client, the client's address, and other identifying factors omitted, provided that the omission does not render the type or nature of the entity undeterminable. Dates may not be omitted.

(i) Reports submitted to the committee pursuant to (c) of this subsection and comments of reviewers, the committee and the board on such reports or workpapers relating thereto, shall also be preserved in confidence except to the extent that they are communicated by the board to the licensees who issued the reports or disclosure is required under administrative procedure rules or by direction of a court of law . . . [Statutory Authority: RCW 18.04.055(9). 08-18-016 § 4-25-820, filed 8/25/08, effective 9/25/08; 07-14-036, § 4-25-820, filed 6/26/07, effective 7/27/07; 05-01-135, § 4-25-820, filed 12/16/04, effective 1/31/05; 02-04-064, § 4-25-820, filed 1/31/02, effective 3/15/02. Statutory Authority: RCW 18.04.055. 94-02-071, § 4-25-820, filed 1/4/94, effective 2/4/94.]

WAC 4-25-830 What are the CPE requirements for individuals? (1) The following CPE is required for individuals during the three calendar year period prior to renewal:

(a) An individual licensed to practice in this state must complete 120 CPE credit hours which is limited to 24 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics meeting the requirements of subsection (3) of this section . . .

(3) Ethics and regulations applicable to practice in Washington state: During each CPE reporting period all individuals licensed in this state, individual CPA-Inactive certificateholders in this state, and resident nonlicensee firm owners are required to complete four 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, the CPE sponsor or instructor must submit documentation associated with the ethics and regulations CPE to the board for approval and the sponsor or instructor must obtain written approval from the board. The ethics and regulations CPE must cover all of the following topics, and the ethics and regulations CPE must substantially address these topics:

(a) Chapter 18.04 RCW and chapter 4-25 WAC. The CPE must include general level information on the Public Accountancy Act, the board's rules, policies, and the rule-making process.

(b) WAC 4-25-521 How can I contact the board?

(c) WAC 4-25-550 Do I need to notify the board if I change my address?

(d) WAC 4-25-551 Must I respond to inquiries from the board?

(e) WAC 4-25-600 Series -Ethics and prohibited practices. The CPE must include detailed information on each rule and all related board policies.

(f) WAC 4-25-800 Series -Continuing competency. The CPE must include detailed information on each rule and all related board policies.

(g) WAC 4-25-910 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 and chapter 4-25 WAC) and the AICPA Code of Conduct.

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

(8) CPE extension request: 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 preceding your renewal unless you can demonstrate your failure to meet the CPE requirements was due to reasonable cause. The board may provide limited extensions to the CPE requirements for reasons of individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment. You must request such an extension in writing. The request must include justification for the request and identify the specific CPE you plan to obtain to correct your CPE deficiency.

A form useful for this purpose is available from the board's web site or will be provided to you upon request. [Statutory Authority: RCW 18.04.055(7), 18.04.215(5). 08-18-016 § 4-25-830, filed 8/25/08, effective 9/25/08; 05-01-137, § 4-25-830, filed 12/16/04, effective 1/31/05; 02-04-064, § 4-25-830, filed 1/31/02, effective 3/15/02. Statutory Authority: RCW 18.04.055(7), 18.04.104(8), 18.04.215(4). 00-11-077, § 4-25-830, filed 5/15/00, effective 6/30/00. Statutory Authority: RCW 18.04.055(7), 18.04.215(4) and 18.04.105(8). 99-23-045, § 4-25-830, filed 11/15/99, effective 1/1/00.]

WAC 4-25-910 What are the bases for the board to impose discipline? RCW 18.04.055, 18.04.295, 18.04.305, and 18.04.350 authorize the board to revoke, suspend, refuse to issue, renew, or reinstate an individual or firm license, CPA-Inactive certificate, the right to exercise practice privileges in this state, or registration as a resident nonlicensee firm owner; impose a fine not to exceed thirty thousand dollars; recover investigative and legal costs; impose full restitution to injured parties; impose remedial sanctions; impose conditions precedent to renew; or prohibit a resident nonlicensee from holding an ownership interest in a firm licensed in this state for the specific acts listed below.

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

(10) A violation of the Public Accountancy Act or failure to comply with a board rule contained in chapter 4-25 WAC, by a licensee, defined in WAC 4-25-410, CPA-Inactive certificateholder, or employees of such persons of this state or a licensee of another substantially equivalent state qualified for practice privileges, including but not limited to . . .

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

(11) Violation of one or more of the rules of professional conduct included in chapter 4-25 WAC . . .

(13) Failure to cooperate with the board by failing to:

(a) Furnish any papers or documents requested or ordered to produce by the board . . .

[Statutory Authority: RCW 18.04.055(16), 18.04.195(11)(d), 18.04.295, 18.04.305, and 18.04.350(2). 08-18-016 § 4-25-910, filed 8/25/08, effective 9/25/08. Statutory Authority: RCW 18.04.055(16), 18.04.295, and 18.04.305. 05-01-137, § 4-25-910, filed 12/16/04, effective 1/31/05; 03-24-033, § 4-25-910, filed 11/25/03, effective 12/31/03. Statutory Authority: RCW 18.04.055(11), 18.04.295, and 18.04.305. 02-04-064, § 4-25-910, filed 1/31/02, effective 3/15/02; 00-11-078, § 4-25-910, filed 5/15/00, effective 6/30/00. Statutory Authority: RCW 18.04.055 and 18.04.295. 94-23-070, § 4-25-910, filed 11/15/94, effective 12/16/94.]

STATE OF WASHINGTON
BOARD OF ACCOUNTANCY

In the Matter of the Certified Public
Accountant (CPA) Certificate and/or
License(s) to Practice as a CPA or CPA
Firm of:

Shaun T. Han, and
Shaun T. Han, CPA, P.S.,

Respondents.

No. ACB-1291

DECLARATION OF SERVICE

I certify under penalty of perjury under the laws of the state of Washington that the following is true and correct:

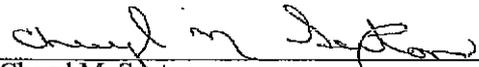
On June 14, 2011, I served a true and correct copy of a Statement of Charges, Answer to Statement of Charges, Notice of Opportunity to Defend, and Appendix A by mailing same with proper postage affixed by U.S. Certified Mail—Return Receipt Requested #7004 2510 0004 0552 3853 and a second true and correct copy by U.S. First Class mail to the Respondent's address of record:

Shaun T. Han
1524 33rd Avenue S
Seattle, WA 98144

I also served a true and correct copy of a Statement of Charges, Answer to Statement of Charges, Notice of Opportunity to Defend, and Appendix A by mailing same with proper postage affixed by U.S. Certified Mail—Return Receipt Requested #7004 2510 0004 0552 3860 and a second true and correct copy by U.S. First Class mail to:

Shaun T. Han, CPA, P.S.
1421 34th Avenue
Seattle, WA 98122

DATED this 14 day of June, 2011, in Olympia, Washington.


Cheryl M. Sexton
Executive Assistant

7004 2510 0004 0552 3853

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Shaun T. Han
 1524 33rd Avenue S
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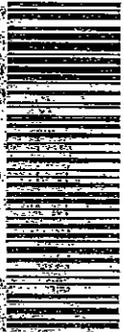
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October 4, 2011

TO: State Boards of Accountancy
FROM: NASBA Executive Committee
RE: Financial Accounting Foundation's Proposal

Today, the Financial Accounting Foundation (FAF) issued its "Proposal" regarding the important topic of accounting standard setting for private entities (attached). You will note that it does not address "Not for Profit" entities, as was originally expected. It appears the real message from the Blue Ribbon Panel process and report has been both heard and addressed with this proposal.

The FAF proposal now enters a 100-day comment period, ending in mid-January 2012, which, as we expect, will gather considerable commentary. Today, NASBA has issued a press release commending the FAF on its process in managing the issue and in soliciting input from a wide range of stakeholders. We expect and encourage the State Boards of Accountancy to deliberate and comment on the proposals of the FAF. Highlights of the FAF proposal are as follows:

1. Establishment of a "Private Company Accounting Standards Improvement Council" (Council) as the dedicated private entity work stream.
2. FASB will remain as the sole non-governmental accounting standard setting body under the FAF.
3. As the key adviser to the FASB, the new Council will develop a conceptual framework for private entities' accounting standards, make decisions subject to FASB approval and will be chaired by a voting FASB member.
4. The Council will have about 11-15 members representing private entity stakeholders and will meet at FASB headquarters in Norwalk, Conn.
5. FAF trustees will have direct oversight of the Council to assure the FAF's strategies are being appropriately addressed.

As is noted in the proposal, the FAF drew its conclusions from a wide range of inputs over the past two years, including the deliberations and January 31, 2011 report of the "Blue Ribbon Panel" (BRP) established by the FAF and co-sponsored by FAF, AICPA and NASBA. Billy Atkinson served as NASBA's representative on the BRP and has been our spokesperson for its many deliberations, including those resulting in the "Minority Position" contained in the final BRP report.

Our position in that report was simple. We agreed completely with the BRP members that changes are needed in U.S. accounting standard setting. Such changes must address the

increasing complexity of accounting standards, the relevance of financial information to users and the increasing costs to comply with today's accounting standards. It has been our consistent view that complex and irrelevant accounting standards must be reined in for both private and public entities. A number of suggested actions to mitigate or reverse today's situation were highlighted in the BRP report. However, we disagreed with the BRP majority view that a separate autonomous private entity accounting standard setting board should be created. Our rationale was included in the minority's conclusions contained in the BRP report, as well as our many presentations to the State Boards at NASBA's Annual and Regional Meetings this past year, and in several meetings with State Boards directly.

We have continued to believe that a separate autonomous standard setting board would lead to differential accounting standards and measurement based solely on an entity's capital structure, rather than the economics of underlying transactions. Further, our view has been that while differences in financial reporting and disclosure may be reasonable for private entities, differences in measurement should be minimal, rare and accompanied by a conceptual framework by a dedicated private entity accounting standards work stream. An underlying conceptual framework for private company accounting standard setting is needed to avoid ad hoc changes. The FAF's proposal does that.

Our expressed concern has been that the FAF must make this issue an active and visible strategy of its trustees and the standard setting board that it appoints. Such standards development must be supported by a vibrant, dedicated private entity work stream within the FASB, together with FASB board member recognition of the importance of this sector. Thus, FAF's monitoring of a single FASB board structure, with appropriate safeguards in place, should lead to needed change.

This FAF proposal should now signal a change in the FASB's standard setting approach to that of more relevance to stakeholders and a principled approach to dealing with complex structured arrangements.

The Financial Accounting Foundation Board of Trustees

Request for Comment

***Plan to Establish the Private Company Standards
Improvement Council***

October 4, 2011

Norwalk, Connecticut



Financial Accounting Foundation
401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116
www.accountingfoundation.org

Table of Contents

	Page Number
Executive Summary of the FAF Board of Trustees Plan to Establish the Private Company Standards Improvement Council.....	1
Background.....	3
Key Conclusions.....	5
The Private Company Standards Improvement Council	7
Considerations.....	9
Common Constituent Concerns	10
Request for Comments.....	11
Public Roundtable Meetings.....	12
Appendix: FASB Initiatives to Improve the Standard-Setting Process for Private Companies	13

EXECUTIVE SUMMARY OF THE FAF BOARD OF TRUSTEES PLAN TO ESTABLISH THE PRIVATE COMPANY STANDARDS IMPROVEMENT COUNCIL

As a result of outreach to external stakeholders, study, and deliberation, the Financial Accounting Foundation (FAF) Board of Trustees plans to establish a “Private Company Standards Improvement Council” (PCSIC) to improve the standard-setting process for private companies. The Trustees seek public comment on the plan, as outlined in this document, until January 14, 2012. The Trustees will make a final decision on the plan following the end of the comment period.

Authority and Critical Responsibilities

The PCSIC would determine whether exceptions or modifications to nongovernmental US Generally Accepted Accounting Principles (US GAAP) are required to address the needs of users of private company financial statements. Jointly with the Financial Accounting Standards Board (FASB), which sets accounting standards for public and private companies and not-for-profit organizations in the United States, the PCSIC would develop criteria for determining whether and when exceptions or modifications to US GAAP are warranted for private companies. Based on those criteria, the PCSIC would conduct a review of existing US GAAP and identify standards that require reconsideration and vote on possible exceptions or modifications for private companies. Any proposed changes to existing US GAAP would be subject to ratification by the FASB and undergo thorough due process, including public comment. The PCSIC would be overseen by the FAF Board of Trustees.

Formation and Membership

The PCSIC would comprise a chairman and 11 to 15 members. The PCSIC chairman, who would be selected and appointed by the Trustees, would be a FASB member with substantial experience with and exposure to private companies during his or her career. PCSIC members also would be selected and appointed by the Trustees. Members would include users, preparers, and practitioners who have significant experience using, preparing, and auditing (and/or compiling and reviewing) private company financial statements.

Nominations for membership on the PCSIC would be sought from a broad array of interested stakeholders and stakeholder groups. Members would be appointed for a three-year term and could be reappointed, based on input from the PCSIC chairman and FASB chairman, for up to two additional one-year terms (for a total of five years). Membership tenure would be staggered to assure appropriate continuity on the PCSIC. FASB staff would be assigned to support and work closely with the PCSIC on outreach and research projects to leverage the FASB’s resources and to avoid duplication of efforts.

Meetings

The PCSIC would meet four to six times per year. The meetings would be held at the FASB’s offices in Norwalk, Connecticut, with the intention that all FASB members would participate. PCSIC meetings would be webcast and open to the public, except for discussions of an administrative nature, which could be closed.

Oversight

During the first three years of operations, the PCSIC would provide periodic in-person reports to a newly created, special-purpose Private Company Review Committee of the FAF Board of Trustees. The PCSIC also would provide quarterly written reports to the full FAF Board of Trustees. Following the three-year period, the oversight responsibilities of the Private Company Review Committee would be transferred to the existing Standard-Setting Process Oversight Committee of the Trustees. Quarterly written reports by the PCSIC to the Trustees also would continue following that transition. In addition to this oversight, the Trustees would conduct an overall assessment of the PCSIC at the end of the three-year period to determine whether its mission is being met and whether further changes to the standard-setting process for private companies would be warranted.

The planned PCSIC best addresses constituent concerns

The FASB has made recent, substantive changes to the manner in which it engages with private company stakeholders, and has demonstrated a greater operational and structural commitment to further address these issues. However, constituents continue to express concerns about private company needs.

In addressing these concerns, the Trustees considered a range of options, including:

1. Creating a new, autonomous, and authoritative standard-setting board for private company issues, under the oversight of the FAF, as recommended by the Blue-Ribbon Panel on Standard Setting for Private Companies
2. Establishing a new body, under the oversight of the FAF, to identify standards that require modification and to vote on specific proposed exceptions or modifications that would then be subject to ratification by the FASB and submitted to the public for comment
3. Establishing a new committee on private company issues that would serve solely in an advisory role to the FASB
4. Continuing to monitor the FASB's existing and ongoing initiatives to better serve the needs and interests of private companies.

In deciding on the second option, the Trustees concluded that creating a separate standard-setting board for private companies would likely lead to the establishment of two separate sets of US accounting standards—a so-called “little GAAP” for private companies and a “big GAAP” for public companies, which is not a desired outcome.

Concerns communicated to the Trustees about the complexity and relevance of US GAAP to private companies appear to involve a small but key group of standards. The Trustees concluded that improvements should focus on those standards first.

In addition, the Trustees concluded that the FASB should address—and is committed to addressing—complexity, relevance, and cost-benefit issues more broadly, as other constituents, in addition to private companies, have expressed similar concerns.

Plan to Establish the Private Company Standards Improvement Council

BACKGROUND

Since it was created in 1972, the Financial Accounting Foundation (FAF) has committed itself to the challenging mission of balancing two critical, but sometimes conflicting, objectives:

- Ensuring that its standard-setting bodies (the Financial Accounting Standards Board and the Governmental Accounting Standards Board) develop high-quality accounting standards that provide investors, lenders, and other users of financial statements with clear, comparable, and decision-useful financial information about a wide variety of companies, not-for-profit organizations, governmental bodies, and other entities
- Ensuring that those standards also take into account the individual needs and circumstances of the constituents of the disparate entities that issue financial statements under US Generally Accepted Accounting Principles (US GAAP), specifically related to relevance, complexity, and costs versus benefits.

The ongoing effort to reconcile those two goals has continued for nearly 40 years. One of the greatest challenges has involved the needs of nonpublic entities, including privately held companies and not-for-profit organizations. Over the years, no fewer than 12 separate reports, studies, or formal recommendations on issues related to private companies were produced, with varying degrees of impact and success.

In the past ten years, as businesses and business transactions have become increasingly global and complex, some have argued that the needs of public company and private company users of financial statements have moved further apart, even as the demands of capital markets have made it more important to maintain the comparability of financial reporting among disparate companies and organizations.

Focus on Private Company Issues

In 2006, the Financial Accounting Standards Board (FASB) created the Private Company Financial Reporting Committee (PCFRC) in an effort to further improve its ability to incorporate the views of private company constituents in its standard-setting process. Comprised of a chairman and 12 members representing nonpublic business entities, regardless of size, the mission of the PCFRC was to provide recommendations to the FASB on issues related to standard setting for private companies and to focus on how standard setting affects day-to-day technical activities at private companies.

Three years later, the FAF Board of Trustees undertook a nationwide “listening tour,” during which groups of Trustees and senior FAF leadership met with diverse constituents to hear and

understand their views on the independent standard-setting process and key issues affecting financial reporting.

During the tour, the Trustees learned that many constituents continued to be concerned about the cost and complexity of standards for nonpublic entities and, frankly, were not satisfied with the results of the collaboration between the FASB and the PCFRC. Some constituents believed that in the PCFRC’s early years, the FASB did not participate fully in its processes or pay sufficient attention to its recommendations. In addition, they said the PCFRC was not initially effective in engaging with the FASB and advocating on behalf of its constituents. A major issue cited by constituents was that the FASB and the PCFRC did not develop and agree upon a framework for considering exceptions or modifications to US GAAP for private companies.

2006	2009	2010	2011 January	2011 March	2011 October
FASB creates Private Company Financial Reporting Committee	FAF undertakes nationwide “listening tour”	FAF works with AICPA and NASBA to create Blue-Ribbon Panel on Standard Setting for Private Companies	Blue-Ribbon Panel submits report to FAF Trustees	FAF creates Trustee Working Group to consider standard setting for nonpublic entities	FAF seeks public comment on plan to create Private Company Standards Improvement Council

Blue-Ribbon Panel on Standard Setting for Private Companies

As a result of these concerns, the Trustees collaborated with the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) to create the Blue-Ribbon Panel on Standard Setting for Private Companies. The panel was charged with studying the needs of users of private company financial statements and making recommendations to the Trustees about how the standard-setting process can best meet those needs.

Separately, the FASB took additional steps to improve the standard-setting process for private companies. The FASB, for example, assembled a team of professionals focused on formally representing and soliciting input from private companies; established a series of roundtables on private company issues; undertook efforts to develop a framework for identifying whether and

when differences in standards are warranted for private entities; increased education efforts to help private company constituents become informed about changes in US GAAP; created a dedicated electronic portal to make it easier for private company stakeholders to access information; developed an electronic feedback forum to enable private company stakeholders to more easily comment on the FASB proposals; and specifically addressed private company concerns in a series of standard-setting decisions related to goodwill impairment, revenue recognition, and financial instruments.

In January 2011, the Blue-Ribbon Panel submitted a report to the Trustees with its recommendations, including, among others, the creation of a new, separate, and authoritative standard-setting board (under the oversight of the Trustees) that would establish exceptions or modifications to US GAAP for private companies.

The Working Group

In March 2011, the FAF appointed several Trustees and senior FAF staff members to a “Working Group” to further consider standard setting for nonpublic entities.

The Working Group received significant input from users, practitioners, and preparers of private company and not-for-profit financial statements. The Working Group also reviewed the current process by which the FASB considers the concerns of private companies and not-for-profit organizations. Specifically, the Working Group conducted a series of meetings with stakeholders, including meetings with representatives of large, mid-market, and small CPA firms, all with significant practices serving private companies and not-for-profit organizations.

The Working Group also met with leading members of the academic community who have reviewed and, in some cases, undertaken significant research on issues relating to private company and not-for-profit financial reporting. Representatives of the Working Group also participated in discussions with the FASB’s advisory groups, including the Financial Accounting Standards Advisory Council (FASAC), the PCFRC, the Not-for-Profit Advisory Committee (NAC), and the Small Business Advisory Committee (SBAC).

Representatives of the Working Group had meetings with lenders, investors, regulators, donors, and others. Also, the Working Group considered the content of more than 2,800 unsolicited letters, most of which made similar points in support of the Blue-Ribbon Panel’s recommendation for a separate standard-setting board for private companies.

KEY CONCLUSIONS

As a result of this outreach and their analysis of the Blue-Ribbon Panel’s report, the Trustees reached these key conclusions:

- Despite significant progress made in recent years by the FASB and the PCFRC in addressing the needs of the constituents of private company financial reporting in the standard-setting process,¹ their efforts stopped short of achieving all of their intended objectives. In other words, private company needs were not addressed as thoroughly or directly as had been intended.
- A new body with increased authority and scope—the Private Company Standards Improvement Council (PCSIC)—should replace the PCFRC (which would be disbanded) as part of a new structure to ensure that the needs of private companies are appropriately addressed in the standard-setting process.
- As an essential element in creating the new structure, the PCSIC, jointly with the FASB, should be responsible for developing specific criteria for determining whether and when exceptions or modifications to US GAAP for private companies are warranted. Those criteria would be subject to public comment.
- Using the new criteria, the PCSIC should develop, deliberate, and formally vote on specific exceptions or modifications to US GAAP. PCSIC meetings should be attended by all FASB members and the conclusions of PCSIC deliberations should be subject to FASB ratification. Those ratified exceptions or modifications should then be exposed for public comment. At the conclusion of the public comment process, the PCSIC should publicly redeliberate in meetings attended by the FASB the proposed exceptions or modifications, vote on final changes, and submit them to the FASB for final ratification.
- The FAF should create a special-purpose committee of Trustees, the Private Company Review Committee, to oversee the activities of the PCSIC and its interactions with the FASB during a three-year transition period. (Following the transition, that responsibility should be assumed by the FAF Standard-Setting Process Oversight Committee.)
- The Private Company Review Committee should hold both the PCSIC and the FASB accountable for achieving the objective of ensuring adequate consideration of private company issues and input in the standard-setting process. The Review Committee should be chaired by a Trustee, appointed by the Board of Trustees, who has had substantial experience with and exposure to private companies during his or her career. The Committee should include among its members Trustees who also have significant experience with private company accounting issues.
- The needs of the users of not-for-profit financial statements differ substantially from those of private company financial statements. In fact, not-for-profits have many characteristics that are more in common with publicly traded companies than with privately held companies, particularly related to the variety and diversity of their user constituents. Further, the FASB recently established an advisory group, the Not-for-Profit Advisory Committee (NAC) to consider issues specifically related to not-for-profit organizations. Accordingly, the Trustees have limited the current plan to addressing the concerns of private companies.

¹As described in detail in the appendix.

THE “PRIVATE COMPANY STANDARDS IMPROVEMENT COUNCIL”

Because of the outreach and analysis outlined above, the Trustees plan to establish a Private Company Standards Improvement Council (PCSIC), under the oversight of the Trustees, to improve the standard-setting process for private companies. The plan, following a period of public comment, will be subject to further discussion and deliberation by the Trustees, including consideration of comments received, before it becomes final.

Authority and Critical Responsibilities

The PCSIC would determine whether exceptions or modifications to US GAAP are required to address the needs of the users of private company financial statements.

In that regard, the PCSIC will have the following critical responsibilities:

- The PCSIC, jointly with the FASB, would develop a set of specific criteria to determine whether and when exceptions or modifications to US GAAP are warranted for private companies.
- Based on those criteria, the PCSIC would identify aspects of existing US GAAP that its members believe require exceptions or modifications for private companies, based on the criteria it developed.
- For those areas of US GAAP identified through this process that are not already under active reconsideration on the FASB’s technical agenda, the PCSIC would obtain input from a broad array of constituents and then deliberate and vote, in meetings attended by FASB members, on specific modifications to those standards to ensure that they meet the needs of users of private company financial statements.
- Any proposed changes to existing US GAAP would be subject to ratification by the FASB and thorough due process, including public comment.
- Following the public comment period, the PCSIC would publicly redeliberate the proposed exceptions or modifications at meetings attended by the FASB members and then vote on final changes. Changes would have to be approved by a supermajority (two-thirds) of PCSIC members. Following an affirmative vote, the final changes would be forwarded to the FASB for final ratification.
- For items under active consideration on the FASB’s technical agenda, the PCSIC would serve as the primary source of advice on appropriate treatment for private companies by working actively and closely with FASB members and staff, and providing advice for consideration by the FASB members in their deliberations. In addition, the PCSIC would have the ability to vote to take a position on the appropriate treatment for private companies related to issues under active consideration by the FASB.

Formation and Membership

The chairman of the PCSIC, who would be selected and appointed by the Trustees, would be a FASB member with substantial experience with and exposure to private companies during his or her career. The Trustees believe that appointing a FASB member as chairman and having FASB members attend meetings of the PCSIC would establish a strong and direct link between the two bodies and ensure that private company issues raised by the PCSIC would receive a thorough, detailed, and considered hearing by the FASB. The PCSIC chairman would be a voting member of the Council; other FASB members would not vote but would be expected to add perspective to the issues being deliberated.

The PCSIC would comprise 11 to 15 members (in addition to the chairman), including users, preparers, and practitioners who have significant experience using, preparing, and auditing (and/or compiling and reviewing) private company financial statements.

Members of the PCSIC would be selected and appointed by the Trustees. Nominations for membership on the PCSIC would be sought from a broad array of interested constituents and stakeholder groups. Members would be appointed for a three-year term and may be reappointed, based on input from the PCSIC chairman and FASB chairman, for up to two additional one-year terms (for a total of five years). Membership tenure would be staggered to assure appropriate continuity on the PCSIC.

FASB staff will be assigned to support and work closely with the PCSIC on outreach and research projects in order to leverage the FASB's resources and to avoid duplication of efforts.

Meetings

PCSIC would schedule meetings four to six times per year. The meetings would be held at the FASB's offices in Norwalk, Connecticut, with the intention that all FASB members would attend and participate. Participation of FASB members would facilitate their understanding of PCSIC member views and enable a more efficient ratification process.

PCSIC meetings would be webcast and open to the public, except for discussions of an administrative nature, which could be closed.

Oversight

The PCSIC will provide periodic in-person reports to the FAF Private Company Review Committee during its first three years of operation, as well as quarterly written reports to the full Board of Trustees. Following the three-year transition, the PCSIC will provide in-person reports to the FAF Standard-Setting Process Oversight Committee and continue to provide quarterly written reports to the full Board of Trustees.

The FAF's post-implementation review (PIR) process, as currently designed, includes engagement with and input from private companies. The PIR process will be further enhanced to include the input of the PCSIC and the post-implementation evaluation of changes made to US GAAP as a result of the PCSIC's work. The objective of this evaluation is to consider whether the resulting standards are achieving the intended objectives. In addition to this oversight, the FAF Trustees will conduct an overall assessment of the PCSIC in three years to determine whether its mission is being met and whether further changes to the standard-setting process for private companies are warranted.

CONSIDERATIONS

In developing this proposal, the Trustees considered a range of options, including:

1. Creating an autonomous, new, and authoritative standard-setting board for private company issues, under the oversight of the FAF, as recommended by the Blue-Ribbon Panel
2. Establishing a new body, under the oversight of the FAF, to identify standards that require modification and to vote on specific proposed modifications that would then be subject to ratification by the FASB and submitted to the public for comment
3. Establishing a new committee on private company issues that would serve solely in an advisory role to the FASB
4. Continuing to monitor the FASB's existing and ongoing initiatives to better serve the needs and interests of private companies.

In deciding on the second option, the Trustees observed the following:

- Establishing two sets of US GAAP (informally described as “big GAAP” and “little GAAP”) is not a desired outcome. Creation of a separate standard-setting board would likely lead to that outcome over time.
- Concerns communicated to the Trustees about the complexity and relevance of US GAAP to private companies appear to involve a small but key group of standards. Therefore, improvements should focus on those standards first.
- The FASB should address—and is committed to addressing—complexity, relevance, and cost-benefit issues more broadly, as other constituents, in addition to private companies, have expressed similar concerns.
- The FASB has made recent, substantive changes to how it engages with private company constituents, and has demonstrated a greater operational and structural commitment to further address these issues.² The Trustees believe it is appropriate to allow a period of time for those efforts to mature and are monitoring those efforts closely.

²As described in detail in the appendix.

- The PCFRC has not been wholly successful in achieving its mission, in part because in its early years, the FASB did not participate fully in its processes or pay sufficient attention to its recommendations. In addition, the PCFRC was not initially effective in engaging with the FASB and advocating on behalf of its constituents. Other factors contributing to the shortcomings of the partnership were: (1) the FASB and the PCFRC did not develop and agree upon a framework for considering exceptions or modifications and exceptions to US GAAP for private companies and (2) the two organizations did not integrate their administrative processes in support of their common objective. Based on their outreach and analysis, the Trustees believe that meaningful change in the standard-setting process for private companies can occur only if a common understanding of mutual objectives for the FASB and private company constituents is embedded in both the structure and processes of the FASB.

COMMON CONSTITUENT CONCERNS

As noted above, the Working Group in the course of its outreach efforts received significant input from users, practitioners, and preparers of private company financial statements. That input was instrumental in helping the Working Group frame and consider many of the issues discussed in this paper.

Summarized below are the issues and concerns most commonly raised by constituents in meetings with Trustees and representatives of the Working Group during the outreach process:

- While some practitioners and preparers expressed support for the formation of a separate board as recommended by the Blue-Ribbon Panel, the view was not widely held. In fact, many of those who initially spoke in support of the creation of a new authoritative board, moved away from that view after hearing concerns of others. Such concerns included the likelihood of confusion, the lack of acceptance of new standards by banks and sureties who expect to see US GAAP financial statements, the establishment of a bifurcated profession, a recognition that the formation of a new board and the promulgation of new rules would take years, and a fear that financial statements prepared in accordance to “little GAAP” would be viewed as inferior to “big GAAP” financial statements.
- Many constituents noted that “complexity” in financial reporting is, in many ways, the real problem that concerns the private company community. Complexity, however, affects all entities whether public or private, large or small. There is a general belief that the FASB does not do a sufficient job undertaking a cost-benefit analysis before issuing standards. Nor has the FASB performed systematic post-implementation reviews to determine whether the standards have achieved their goals. There is a concern that GAAP financial statements sometimes do not properly capture the economics of transactions and the standards are not “faithful to the transaction” and do not reflect the “real economic situation.” Nonetheless, there was an acknowledgement that complex financial transactions often require complex accounting.
- A number of constituents believe that the FASB historically has not been attentive to concerns of private companies. Yet, there also was a recognition that private company

constituents do not actively participate in the standard-setting process. Several participants suggested that the FASB should develop methods to more easily facilitate private company input (recognizing that preparing comment letters can be difficult and time consuming for resource-constrained enterprises).

- Despite these criticisms, most participants believe that recent changes at the FASB demonstrate a significant move in the right direction. There are concerns, however, about whether this improvement is sustainable and permanent or dependent on the current board and its interests. To address these concerns, the Trustees will continue to monitor the FASB's efforts and will hold both the FASB and the PCSIC accountable for ensuring that the concerns of private company stakeholders are addressed.
- There also is consensus that between six and ten current standards cause most, if not all, of the problems for private companies.
- When speaking with users of private company financial statements, representatives of the Working Group heard that US GAAP financial statements provide a useful and sound starting point for underwriting and investment decision making. In fact, some said that they are "critical." But, since lenders and investors have significant access to management and outside accountants, financial statements are neither the only nor the best source of information.

The Trustees also acknowledge receipt of more than 2,800 unsolicited letters, most of which made similar points in support of the Blue-Ribbon Panel's recommendation for a separate standard-setting board for private companies.

REQUEST FOR COMMENTS

The FAF Board of Trustees invites individuals and organizations to send written comments on the "Plan to Establish the Private Company Standards Improvement Council."

The Trustees request that responses from those wishing to comment on the plan be received in writing by January 14, 2012. Interested parties should submit their comments by email to PrivateCompanyPlan@f-a-f.org. Those without email should send their comments to "Private Company Plan," FAF, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116. Please do not send responses by fax.

All comments received constitute part of the FAF's public file. The FAF will make all comments publicly available by posting them to the FAF website.

An electronic copy of this plan is available on the FAF's website.

PUBLIC ROUNDTABLE MEETINGS

The FAF Board of Trustees plans to hold public roundtable meetings after the end of the comment period to hear the views of, and obtain information from, interested parties regarding the “Plan to Establish the Private Company Standards Improvement Council.” The Trustees plan to seek participants for the meetings that represent a wide variety of constituents (including users, preparers, auditors, and others) to ensure that it receives broad input. The schedule, location, and other details of the process for participating in these roundtables will be announced in the coming weeks by the Trustees on the FAF website (www.accountingfoundation.org).

APPENDIX: FASB INITIATIVES TO IMPROVE THE STANDARD-SETTING PROCESS FOR PRIVATE COMPANIES

As noted earlier, the Trustees concluded that the FASB has made considerable progress in addressing private company concerns in the standard-setting process, a view that was confirmed by many of the constituents with whom members of the Working Group spoke. Some constituents, however, were concerned that this improvement may not prove to be sustainable and permanent, depending on the composition of future boards and their members' interests. To address these concerns, the Trustees will continue to monitor the FASB's efforts and will hold both the FASB and the PCSIC accountable for ensuring that the concerns of private company stakeholders are addressed.

The following appendix outlines the manner in which the FASB is addressing private company issues:

The FASB has increased its effort to understand and address the needs of the users and preparers of private company financial statements.

- The FASB released an initial staff analysis (*FASB in Focus*—July 11, 2011) identifying six specific ways in which use of financial statements for private companies differs from that of public companies.
- FASB staff is working closely with its Private Company Resource Group (PCRG), a working group, to make recommendations on developing a set of criteria that will assist the FASB in deciding whether and when to adopt exceptions or modifications to US GAAP for private companies.
- While efforts to develop these criteria are proceeding, FASB staff is working to evaluate potential exceptions or modifications for private companies for the FASB's consideration, in current standard-setting projects.

The FASB has put in place the infrastructure and processes required to develop, field test, and implement accounting standards for private companies.

- The FASB has built a team of professionals dedicated to soliciting the input of private company stakeholders in all standard-setting projects.
- The FASB's due process incorporates feedback and opinions from these constituents.

The FASB has been increasingly responsive to criticism of the manner in which the FASB handled private company issues in the past.

- The FASB has established a series of roundtables during which private company stakeholders share their views directly with FASB members.
- For major standard-setting projects, the FASB has created issue-specific roundtables for private company stakeholders.
- FASB members now regularly attend meetings of the PCFRC.

- The FASB created a dedicated electronic portal to make it easier for private company stakeholders to access information that pertains to their needs.
- The FASB developed the Electronic Constituent Feedback Forum to make it easier for private company stakeholders to offer comments on the FASB proposals.
- FASB staff has developed a resource list of private company contacts that can be consulted on an ad hoc basis.
- The FASB has increased the transparency of its decision-making process on US GAAP related to private companies, including increased use of video webcasting of its meetings.

The FASB is increasingly willing to take action on private company concerns as part of the standard-setting process. For example:

- In response to recommendations from private company financial statement preparers, the Board completed a project (Testing Goodwill for Impairment) to reduce the cost and complexity of testing goodwill for impairment.
- In its revenue recognition project, the FASB has tentatively decided to exempt private companies from certain new disclosure requirements.
- In its financial instruments projects, the FASB has proposed a measurement exemption for nonmarketable equity securities.
- For many recent projects, the FASB instituted one-year deferrals for nonpublic entities to enable them to implement new standards more effectively and efficiently.

The FASB has undertaken a series of new educational efforts intended to provide more information to stakeholders about their private company initiatives and issues.

- In June 2011, the FASB held its first FASB Update webcast geared specifically to nonpublic entities—including private companies—for CPE credit and has scheduled the next semiannual webcast for December 2011.
- The FASB provides plain-English executive summaries (*FASB in Focus* documents) and brief podcasts for all new proposed and final ASUs, as well as educational webcasts for major projects.
- FASB Board and staff members participate, as presenters and panelists, in many educational conferences and meetings geared primarily toward the private company sector, at both national and local levels.



May 3, 2011

TO: State Board Presidents, Chairs, Members and Executive Directors
FROM: NASBA Executive Committee
RE: Standard Setting for Nonpublic Entities

The Board of Trustees of the Financial Accounting Foundation recently announced the formation of a Trustee Working Group to address the important topic of accounting standard setting for nonpublic entities. As a first step in the process to look at one component of this issue, the FAF created the Blue Ribbon Panel on Standard Setting for Private Companies, sponsored jointly with the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA). The Panel concluded its work in January 2011. The establishment of the Working Group is the next phase of the FAF's review of the adequacy and effectiveness of the Financial Accounting Standards Board's (FASB) efforts in setting standards for the private company and non-profit sectors in the United States.

The Working Group is conducting outreach to stakeholders in various ways, including roundtable meetings, surveys, and meetings with advisory and constituent groups and others. In conjunction with obtaining input on the scope of the issues and concerns to be addressed, the Trustees also will seek input on suggested improvements, including the solutions recommended by the Blue Ribbon Panel. To insure that NASBA leadership is giving an accurate portrayal of the Boards' position on this topic, we will be discussing it at the 2011 Regional Meetings. As background for those discussions, we have attached excerpts from the majority and minority positions of the Blue Ribbon Panel members.

BLUE RIBBON PANEL MINORITY POSITION

The State Boards of Accountancy have continued to carefully review the draft models, structures and related information resulting from the Blue Ribbon Panel (BRP) meetings to date. We have not reached the same conclusion as the BRP majority. Nor did the Federal Institution Regulatory Agencies (representing the National Credit Union Administration, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency and Office of Thrift Supervision), the Great American Insurance Company¹, and BRP members Terri Polley, Dev Strischek and Teri Yohn.

Changes are needed in U.S. accounting standard setting, but such changes must address the increasing complexity of accounting standards, the relevance of financial statement information to users and the increasing costs to comply with today's accounting standards. These issues have been decried in this BRP process, but why they only apply to private companies has not been substantiated. It's our view that complex and irrelevant accounting standards must be reined in for both private and public entities.

¹ See responses to BRP survey

In the U.S. today, about 15,000 public companies registered with the Securities and Exchange Commission have evolved from about 26-29,000,000 private entities -- and they have used a common set of accounting standards to measure profits and net worth. This is a public policy issue: The U.S. cannot have two parallel accounting standard setters. Financial statements must reflect the underlying economics of transactions consistently and with a common conceptual framework and measurement.

Users Have Not Protested

In these BRP meetings, we have not heard a strong outcry from financial statement users that differential accounting standards are needed. In response to the BRP's survey questions, the Federal Financial Institution Regulatory Agencies wrote: "The staffs are very concerned about potential approaches that would establish two or more sets of accounting standards for U.S. public and private companies, primarily because of the high probability that such standards would produce materially different results from a recognition and measurement perspective."

The negative consequences of differential accounting standards would far outweigh any benefits to the stakeholders. Such anticipated fallout would include:

- (a) Absence of comparability among entities within industries and as entities mature from one reporting sector to another,
- (b) Incremental costs of dual accounting standards-setting bodies and processes,
- (c) Added strain and costs to users, practitioners, preparers, educators, students and regulators, and
- (d) Bifurcation of the accounting talent pool in all sectors.

Confidence in the FAF

Separate accounting standards are not the answer, and an additional separate accounting standard-setting body is not justified. We support a single U.S. set of accounting standards with enhancements or exceptions for private entities as to disclosure and financial reporting, but generally not as to measurement (the BRP's Model 2A).

The expansion of the FASB to seven board members, including a sufficient number to affect private entity influence, is an appropriate first step, as is the immediate need for dedicated and effective FASB senior staff to support accounting standards development, implementation and interpretation. We have confidence that the Financial Accounting Foundation (FAF) will ensure its appropriate and consistent oversight, including private entity influence both in fact and in appearance.

As an independently funded body, it is very important from a public confidence and protection standpoint that the FAF step up its leadership of the FASB, as it was designed to do. Further, it must both establish and maintain the strategy, fairness and consistency of the accounting and

financial reporting rules promulgation process which is supported by a conceptual framework. If this is not properly accomplished, ad hoc changes to financial reporting standards will continue, public confidence will be diminished and added governmental intervention could occur. Such concerns have been continually expressed, by the State Boards of Accountancy and others, about the IFRS standard setting prospects through the IASB. Thus, the FAF's mission is key to the ultimate conclusions reached by this Panel. We support the FAF and believe it has begun to demonstrate its intent and ability to facilitate change.

We support U.S. GAAP, for both private and public entities, together with minimal, but allowable, exclusions or enhancements as to disclosure and financial reporting -- but few, if any, differences as to measurement. Such standards development must be supported by a vibrant, dedicated private entity work stream within the FASB, together with FASB member recognition of the importance of this sector. The objectives are to avoid differential standards by separate standard-setting bodies and to utilize the existing structure, which we believe can be successfully adjusted.

Other Possible Services

It should be noted that in private entity situations where various forms of assurance, other than audited financial statements, are possible, it is incumbent on users to consider the benefits and acceptability of such alternative forms of assurance, as opposed to the rigors and costs associated with audited financial statements. In many cases, more cost effective alternatives to an audit exist which are sufficient to meet the user's needs and should be considered.

Standard-Setting at the Crossroads

Everything we recommend can be done now. There is no need to wait 2-5 years and risk uncertainty of the establishment on another board that may, or may not, seamlessly improve private company standards.

Both the FASB and the SEC now need to focus on standard setting with a new dimension of consideration. The SEC on October 29, 2010 released a progress report on its work plan for the consideration of incorporating International Financial Reporting Standards. The public, including users, preparers and practitioners, must understand the outcome of accounting standards applications and no timeline for major changes has yet been announced. Whether, when and how the current financial reporting system may be transitioning to a system incorporating IFRS is still under debate. Once the SEC determines its next course of action, the landscape in which private company standards are set may change significantly.

BLUE RIBBON PANEL MAJORITY VIEW

(Excerpted from January 2011 BRP report on www.fasb.org)

New Board

The supermajority view of BRP members is that the current FASB and even a restructured FASB cannot produce the needed exceptions and modifications to GAAP for private company financial

reporting. Those BRP members believe that throughout its history, the FASB has been geared, in its composition and its processes, very heavily toward public companies, with exceptions and modifications in GAAP for private companies too rare and extremely difficult to achieve, especially in areas other than disclosure—that is recognition, measurement, and presentation. Members of a board with authority to set accounting standards for private companies must possess the perspective of those stakeholders, and the FASB cannot be sufficiently restructured or possess enough of the essential private company representation needed to set GAAP for private companies. A new board is the most realistic path forward in overcoming the systemic issue related to the relevance of GAAP for private companies.

PROS AND CONS CONSIDERED FOR THE BRP RECOMMENDATIONS

The BRP considered the following pros and cons in its deliberations to arrive at the recommended model and structure:

Pros:

- A GAAP-with-exceptions-and-modifications model:
- Can be achieved more quickly than some of the other models considered
- Maintains a significant degree of consistency and comparability between public and private companies compared with other models considered
- Minimizes the costs to private companies that choose to “go public” compared with other models considered
- Avoids confusion and system complexity from two highly divergent sets of U.S. GAAP
- Has lower education and training costs than other models considered.

A separate private company board:

- Could provide appropriate structural separation from the pressures that the FASB faces in addressing the needs of public company stakeholders, including the SEC
- Could better address the different needs of private company financial statement users given a targeted focus on one constituency.

Cons:

- A GAAP-with-exceptions-and-modifications model might not be perceived as being sufficiently responsive to complexity and cost issues for private companies (compared with, for example, a separate, self-contained set of private company standards).
- Since the pace of standard setting is often driven (or perceived to be driven) by SEC/ public company sector needs or concerns, a GAAP-with-exceptions-and-modifications model probably affords less opportunity for the standard setter to keep the pace of standard-setting activities to a level that facilitates participation by the private company sector (which generally has fewer resources) in the standard setter’s due process compared with other models considered.
- Depending on the extent of exceptions and modifications made by the new board, the result could be substantially different accounting standards for private companies resulting in a lack of comparability, and additional costs and strain to some in the U.S. financial reporting chain. Once a separate board is given authority over private company standard setting, there may be limited ability to stop any such divergence.

- Two boards having authoritative responsibility for an overall, single-GAAP model is unproven and has not been used in other countries.

- It could make engagement in due process inefficient and even confusing for stakeholders that are interested in both public and private companies, and it could possibly undermine the authority of one or both boards.

- Additional funding sources will be required.

The BRP considered the various pros and cons and placed more weight on some factors than on others. The general consensus was that although some models had appeal in the long term, the recommended model has the advantage of achieving needed relief in the near term without adding significant complexity or comparability complications. The BRP also believed that, with a clear mission for the new board, proper coordination of the board with the FASB, and appropriate oversight of the board by the FAF, at least some of the cons would be mitigated.

CONCLUSION ON BRP RECOMMENDED MODEL AND STRUCTURE

In light of the frustrations expressed about the lack of relevance of some GAAP standards and the complexity and rapid pace of change in GAAP by many private company preparers and CPA practitioners in the written public submissions and elsewhere, and because of the length of time needed to achieve the various end-state models, the BRP recommends the U.S. GAAP model with exceptions and modifications for private companies, set by a separate private company board. The BRP believes that this model and structure would be the most effective approach to improve relevance of standards and to get relief for private company stakeholders in the near term. The BRP acknowledges that a two-board structure has risks (as noted above) but firmly believes that through proper coordination and effective two-way communication, the two boards will be able to set appropriate standards that best meet the needs of users of private company GAAP financial statements in a cost-effective manner.

The BRP also recognizes that the FAF or the new board could consider a succession (evolution) of models as a longer-term solution.

V. ADDITIONAL BRP RECOMMENDATIONS: SHORT-TERM, TRANSITIONAL, AND OTHER

Short-term and Transitional Actions by the FASB and the FAF

While the BRP firmly believes that significant change is urgently needed and encourages the FAF to take prompt action to implement the Panel's recommendations on model and structure, the Panel recognizes that the Trustees will need time to vet the recommendations, especially concerning the creation of a new board, both internally and publicly, and, if the Trustees concur, to then put a new board into place. In light of this, the BRP recommends that the FAF and the FASB take, or in some cases continue to take, certain actions that can be implemented in the short term or can be transitional actions to achieve needed near-term relief for private companies and help ensure a successful transition to the model and structure that the Panel recommends. The BRP believes that these actions, in whole or in part, do not change its recommendations for fundamental changes or the urgency needed to enact them.

Those recommendations are:

1. The FAF should fill at least one of the currently open board positions with individuals who have primarily private company background and experience.¹²

2. The FASB should continue to work closely with the PCFRC or another similar dedicated work stream. It should continue to have one or more board members present at each PCFRC meeting. PCFRC recommendations on Exposure Drafts and other matters should be discussed specifically at open FASB Board meetings.

3. In the short term and continuing as transitional actions until a new board is in place, the FASB should perform the following:

- Continue to hold separate private company roundtables for major projects at locations around the country.

- Incorporate private company concerns expressed at roundtables and in comment letters in the ongoing projects to evaluate whether there should be differences in recognition, measurement, presentation, disclosures, and/or effective dates. In view of publicly expressed concerns, if the board decides that there should be no differences, a clear explanation of their reasoning should be included in the basis for conclusions section of the final standards.

- Consider a delay for private companies in the effective date of major new standards, especially those issued in connection with the FASB-IASB Memorandum of Understanding (MOU) projects, that is longer than the now-routine one-year delay.¹³

These processes described above will most likely continue once the new board is in place but will be led by and/or significantly involve the new board.

4. The BRP recommended that differences in GAAP for private companies be based on a framework (set of decision criteria). Using what it has learned from the two recent roundtables on private company issues with existing GAAP standards as key input, the FASB should begin to articulate “what differentiates private companies from public companies.” This articulation would be used to create the differential framework for private company accounting. The framework would be used to determine whether differences for private companies should be approved. The FASB Board and staff could do much of this work, perhaps with the assistance of an appropriate, broad resource group, even before a decision by the Trustees on a desired model and board structure is finalized. The broad resource group should include significant user representation. If and when a new board is established, it could then complete this work or, if already completed, could review it and either ratify it or revise it.

5. The FASB should look at the public comment process in its standard setting and consider taking steps to make it simpler to encourage responses by a broad base of stakeholders.

¹²The BRP acknowledges that on January 14, 2011, the FAF announced the appointments of two new FASB members, one of which has substantial experience as a private company CFO and the other of which has substantial experience as a user of financial statements, including financial statements of private companies.

¹³The delay would be with respect to the public company effective date. Thus, if, for example, the effective date for a particular MOU project is 2014 for public companies, this recommendation would contemplate an effective date of 2016 or later, rather than 2015, for private companies.

The Blue Ribbon Panel –

Conclusions & Heart Burn

Billy M. Atkinson, CPA

Past NASBA Chair and Blue Ribbon Panel Member

NASBA Regional Meetings – June 2011

The Blue Ribbon Panel

Mission of the Blue Ribbon Panel

- Addressing how GAAP accounting standards can best meet the needs of users of U.S. private company financial statements.
- Panel was charged with providing recommendations on the future of standard setting for private companies to the FAF Board of Trustees.

The Blue Ribbon Panel

Objective of the Blue Ribbon Panel

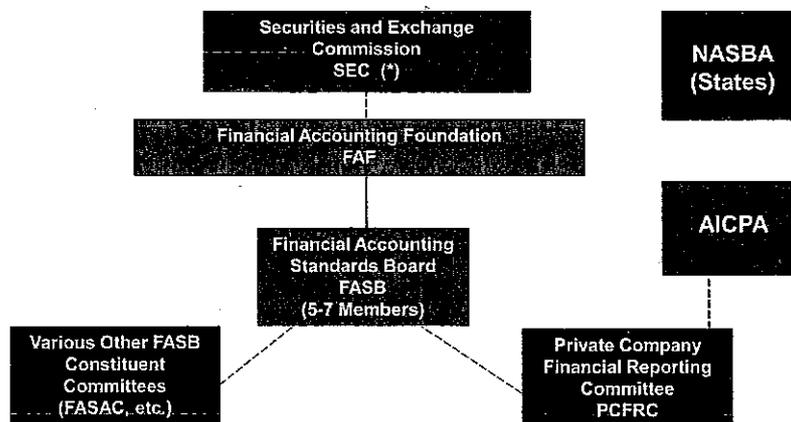
Understand:

- Current Standard Setting Structure and Process
- Needs of Users of Private Company Financial Statements
- Cost/Benefit Considerations of GAAP for Preparers

3

The Blue Ribbon Panel

U.S. Standard Setter – Public & Private Companies



(*) In addition to the accounting and reporting rules set by the FASB for all U.S. companies, U.S. public companies must also adhere to the regulations established directly by the SEC.

4

The Blue Ribbon Panel

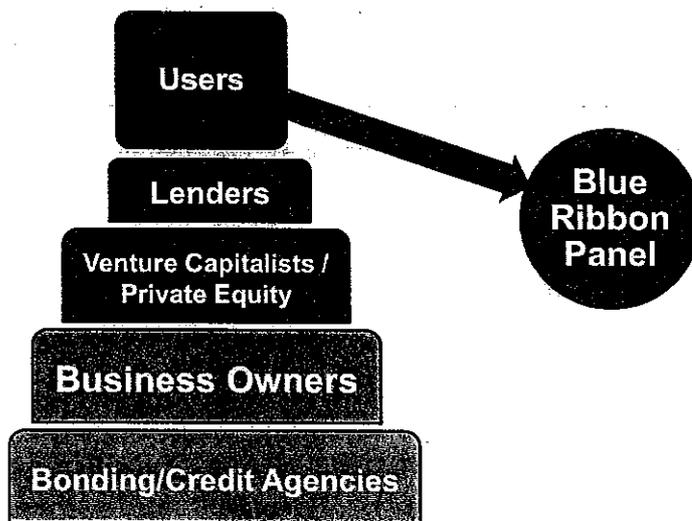
Landscape of Private Company Reporting "Main Street"



5

The Blue Ribbon Panel

Panel Make-Up?



6

The Blue Ribbon Panel

BRP Majority Conclusions (Final Report)

- Urgent Growing Systemic Issues in current U.S. GAAP standard setting
- Relevance & Complexity Issues concerning many standards for Private Entities
- Unnecessary costs are being incurred for GAAP financial statement preparation and analysis
- Need a process of standard setting to significantly increase the chances of having differences (where warranted) in financial statement management, recognition, presentation and disclosure

7

The Blue Ribbon Panel

BRP Majority Conclusions (Final Report), continued

- Establish Exceptions & Modifications to U.S. GAAP for Private Entities
- Establish a *New Board* (under FAF) to ensure this is accomplished for both new and existing Accounting Standards
- New Board should have a "Sunset" Review in about 3 - 5 years to evaluate effectiveness and process
- Create a *Differential Framework* (set of decision criteria) to facilitate and guide the new Board
- Recommended Transitional Actions by FAF and FASB

8

The Blue Ribbon Panel

BRP Report – Minority Viewpoints

- Changes are needed in U.S. Accounting Standard Setting
- Complex & Irrelevant standards must be reined in for both Public & Private entities
- U.S. cannot have parallel standard setters
- Underlying economics of transactions and not capital structure should govern standards
- No Strong Outcry for change from Users
- Complexity of IFRS decision and considerations

Slide 9

The Blue Ribbon Panel

BRP Report – Minority Viewpoints

Negative consequences of differential standards would far outweigh benefits to stakeholders:

- a. Absence of comparability among entities within industries and in moving to/from public ownership
- b. Incremental costs of dual accounting standards-setting bodies and processes
- c. Added strain and costs to users, practitioners, preparers, educators, students and regulators
- d. Bifurcation of the accounting talent pool in all sectors

Slide 10

The Blue Ribbon Panel

BRP Report – Transitional Considerations

- FASB should work better with PCFRC
- FASB should hold separate robust private entity roundtables and explain reasoning more transparently
- FASB should use delayed implementation more liberally
- FASB should simplify the public comment process to encourage more private entity participation
- FAF should reassess its trustee makeup as well as that of FASB
- FASAC should be more representative

Slide 11

The Blue Ribbon Panel

BRP Report – Unanswered Issues

- Structure of a new Board ?
- Funding...efficiencies?
- Independence of the New Board?
- How would 2 Boards operate? . . and under one set of standards?
- How can divergence of Accounting Standards be avoided with 2 FASBs?
- Short & Long Term Actions needed?
- Is this really the smart thing to do vs. the *Emotion* associated with the issues?
- Does the Emotion justify the risks of unintended consequences?

12

The Blue Ribbon Panel

Considerations of the Ultimate Answer

- FAF must demonstrate its Objectivity & Public Interest
- Confidence in existing FASB and process of change by FAF
- Can or will FASB change its culture?
- Can or will FASB have more balanced focus on private entity accounting standards?
- What is the SEC's viewpoint on Private Entity GAAP?
- Do the needs of Users dictate the risks exposure?
- How does this issue impact the IFRS dynamic?

The Blue Ribbon Panel

Questions?

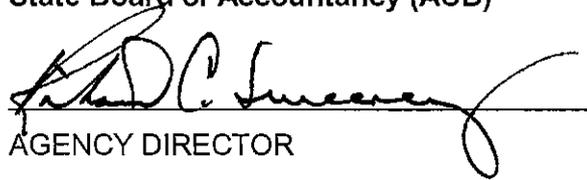
Slide 14

ETHICS

Effective Date: June 15, 2011

Application: Applies to all employees, volunteers, and contractors of the **Washington State Board of Accountancy (ACB)**

Approved by:


AGENCY DIRECTOR

Purpose - To provide direction to Washington State Board of Accountancy employees in making ethical choices, acting in a manner that demonstrates high ethical standards and complying with the provisions of the Ethics in Public Service Act.

Ensuring ethical conduct in the workplace requires that we all know what ethical conduct is and then fully embrace this conduct in every aspect of our work. Agency employees are expected to conduct themselves and their business affairs in a manner that is consistent with the Agency's values and ethical standards, as well as the Ethics Act.

Policy Statement - All Agency employees are expected to maintain high professional and ethical standards at all times. Specific expectations, roles and responsibilities are as follows:

1. The agency head is responsible for and shall exercise personal leadership in establishing, maintaining, and carrying out the agency's ethics program. He or she shall make available to the ethics program sufficient resources (including investigative, audit, legal, and administrative staff as necessary) to enable the agency to administer its program in a positive and effective manner.
2. The Executive Director is designated as the agency's Ethics Advisor who coordinates and manages the agency's ethics program. The Ethics Advisor is the agency's liaison to the Executive Ethics Board. The Ethics Advisor may:
 - a. Assess the application of conflict of interest laws and regulations to the information reported and counsel those officers or employees with regard to resolving actual or potential conflicts of interests, or appearances thereof;
 - b. Counsel agency personnel concerning ethics standards and programs
 - c. Counsel departing and former agency officials on post-employment conflict of interest standards;
 - d. Assist managers and supervisors in understanding and implementing agency ethics programs;
 - e. Develop and administer a system for periodic evaluation of the ethics program.
3. Ethics Advisor shall chair an agency ethics committee that will report regularly to the agency head. The purpose of this committee is to direct and oversee the agency's compliance with the laws and regulations governing ethics in public service. Its responsibility is to develop measures that monitor agency ethics and integrity and ensure that these measures are collected for reporting to the legislature on an annual basis. This committee meets periodically to review the effectiveness of the agency's

ethics programs and compliance thereto. If possible, this committee shall include at least two individuals from non-supervisory positions.

4. All agency employees are responsible for knowing and adhering to the Ethics Act (RCW 42.52) and rules (WAC 292-110), applicable agency policies and procedures and for making choices that exemplify an adherence to the highest ethical standards.
5. Employees are to avoid actions that create even the appearance of using their position for personal gain or private advantage for themselves or another person.
6. Employees should notify their supervisors of any actual or potential violations of this policy. When in doubt, employees should consult with the designated Ethics Advisor and/or the Human Resources Office.
7. Violations of the State Ethics Act and/or this policy may lead to corrective or disciplinary action, up to and including termination.
8. The Executive Ethics Board has the authority and responsibility for investigating alleged violation(s) of the Ethics Act and may take administrative action against an agency employee, including imposing a civil penalty for violations. Anyone may file an ethics complaint against a state employee or officer. Complaint forms are available on the Executive Ethics Board's website. Complaints may be filed anonymously or the complainant may choose to remain confidential. Ethics complaints may be filed directly with this Board at the following address:

Executive Ethics Board
PO Box 40149
Olympia, WA 98504

9. The agency will take reasonable steps to achieve compliance with applicable laws and rules by monitoring and auditing systems designed to detect unethical conduct and by publicizing a reporting system for employees and other agents to use to report ethical violations.

Response and Prevention - After a violation has been reported, the agency will take all reasonable steps to respond to the violation and to prevent further similar offenses.

General Expectations - The Ethics in Public Service Act, RCW 42.52 applies to all state employees and officers. Each agency employee is expected to read and understand this Act. Each agency employee is also expected to know and understand the agency's policies regarding certain sections of the Act, as these policies may be stricter than the Act and the employee must also comply with the stricter limitations.

Detailed information on issues related to state ethics, including interpretations and clarifying examples of the Ethics Act and rules are available at the Executive Ethics Board's website www.ethics.wa.gov.

Employees shall not:

1. Have a financial or other interest or engage in any business, including personal business, or professional activity that conflicts with their official duties.
2. Use their position to secure a special privilege for themselves, their family, friends or any other person. A "person" is also considered to be an outside business or organization.
3. Receive any compensation (including gift cards) from any source, except the state, for performing or not performing their official duties.
4. Accept any gifts, except as allowed under RCW 42.52.140 and 150. Gifts include food and beverages in most situations.
5. Disclose confidential information to an unauthorized person, use confidential information for personal benefit or to benefit another, or withhold disclosure of information that can be disclosed.
6. Use state resources for personal benefit or to benefit another except as allowed under agency policies and WAC 292-110-010.
7. Use state resources to campaign for the election of a person or a ballot initiative or to lobby an elected representative.
8. Assist another person in a transaction involving the state if they have participated in the transaction or the transaction was part of their job responsibilities.

There are post-state employment restrictions placed on former employees. Should you leave state service, refer to RCW 42.52.080 to determine if any of these restrictions apply to your situation *before* accepting a post-state employment job. The Executive Ethics Board has jurisdiction over former employees regarding this section of the Act.

Formal Advisory Opinions - The Executive Ethics Board has the authority and responsibility to render formal advisory opinions. This service is available to any person who has a question about a matter over which the Board has jurisdiction.

Formal advisory opinions are usually not used for general advice concerning a specific individual's present or proposed activities or financial transactions. Such questions should be directed to this agency's designated ethics advisor or to the Director of the Executive Ethics Board.

WAC's and references that apply to this policy

RCW 42.52.140 and 150	WAC 292-110-010
RCW 42.52.080	

Washington State Board of Accountancy

Performance Review Task Force Report

October 4, 2011

This report provides a summary of the recommendations included in the Performance Review Project report of Zwillinger Greek Zwillinger & Knecht PC dated July 2010, and the subsequent evaluation and recommendations made by the Washington State Board of Accountancy Performance Review Task Force. The Task Force's recommendations herein are based on consensuses reached during several meetings and related follow-up by Board staff on the various Performance Review Project findings and recommendations included in that report.

The Performance Review Task Force members are:

Edwin G. Jolicoeur, CPA, WBOA member, Task Force Chair
Gerald F. Ryles, WBOA Public member
Karen R. Saunders, CPA, WBOA member
Richard Sweeney, CPA, WBOA Executive Director
Judy Love, Washington Society of CPAs
Bea Nahon, CPA, Washington Society of CPAs
Donald Aubrey, CPA, WBOA Chair (Advisor to Task Force)

This report sets forth summaries of the various recommendations included in the Zwillinger firm's Performance Review Project report (labeled "Zwillinger Recommendations"), any related comments from WBOA staff or the Performance Review Task Force, and the Task Force recommendations (labeled "PRTF Recommendations") to the full WBOA Board.

The major areas addressed are set forth in the following sections:

Section 1 – Records Management
Section 2 – Public Records Requests
Section 3 – Quality Assurance Review Program
Section 4 – Investigation and Disposition of Complaints
Section 5 – Adherence to Policies and Procedures

The Task Force wishes to thank the Executive Director and the entire WBOA staff for their excellent cooperation and assistance – and their positive attitudes maintained – throughout both the Performance Review Project and the Task Force's deliberations. We also commend the Executive Director and staff for their diligent efforts in making many improvements in response to the Zwillinger recommendations. Our job was made much easier by their proactive efforts.

SECTION 1 – RECORDS MANAGEMENT

Zwillingger Recommendations:

1. Training – Records Officer training should continue and WBOA policy should be revised to require annual training for staff and Board members by the Records Officer of AAG Advisor.
2. Records Inventory – Develop a comprehensive records inventory system to capture all records in one database.
3. Electronic Records – Implement changes to electronic records retention schedules, including electronic imaging of records (investigation files, initially) for storage and retrieval.
4. E-mail Records – Implement an e-mail management system, which is available through the Department of Information Services.
5. Staff Destruction of Records – Permit staff to destroy routine records when their retention periods have been reached.
6. Old Investigation Files and E-Mail Records – All investigation files and e-mail records that are beyond their destruction date should be destroyed.
7. Board Member Materials – Records management policies should require Board members to return their copies of materials to staff; only the WBOA's official copy of the materials should be maintained and used when responding to Public Records Requests.

WBOA Comments:

1. Training – The Records Officer receives regular training and provides training and assistance to WBOA staff as needed. Other staff are continually advised by the Executive Director and Records Officer of the risks and consequences of failure to adhere to the management of public records in accordance with the approved retention schedule and failure to timely address internal requests for records in response to Public Records Requests. The Executive Director issued a directive to staff on December 14, 2010, that “Failure to comply with the agency’s records and disclosure practices as defined by the Executive Director/PRO and the Records Officer will be considered insubordination and subject to discipline.”
2. Records Inventory – The Executive Director continues to work with WBOA investigative personnel to eliminate a “paper” investigative file and to segregate general correspondence from clear, cogent, and convincing “documentary evidence” in the investigative file. The ED’s goal for the Agency is to evolve to electronic records, including imaging technology, to locate all documents in a single database.
3. Electronic Records – The Executive Director and IT Manager met recently to discuss the cost effectiveness of a document imaging system. Such discussions are continuing.

4. E-mail Records –WBOA staff are prepared to transfer e-mail records to the “DIS Vault” when DIS is ready to receive them. Our destruction rules have been defined for timely destruction by that system.
5. Staff Destruction of Records – See Item #1 above. Routine records are now being destroyed when scheduled under the retention policy.
6. Old Investigation Files and E-Mail Records – Compliance with the destruction schedule has been implemented, except for one legal hold required by the AAG Advisor.
7. Board Member Materials – Board members have now been advised that the WBOA is the custodian of Board members’ records and to return agenda materials and other documents to WBOA staff after meetings. E-mails and other documents received by Board members are to be deleted or destroyed.

PRTF Recommendations:

The Task Force concurs with the steps taken to date to implement the Zwillinger report recommendations, as outlined above. The Executive Director should continue to monitor and reinforce to the WBOA staff the importance of adhering to the approved records retention policies and procedures.

SECTION 2 – PUBLIC RECORDS REQUESTS

Zwillinger Recommendations:

1. Public Records Request Form – Develop a PRR Form that can be obtained and filled out on the WBOA website.
2. Public Records Request Procedures –
 - a. Procedures should be submitted for AAG legal review.
 - b. Procedures should be updated to include RCW 42.56.520 language (5-day response directing requestor to records on WBOA website).
 - c. Include documented internal procedure for review of denials of requests.
 - d. Procedures should be completed for “abandoned” requests.
 - e. Procedures should include required legal review on voluminous or multi-item requests.
 - f. Recommend procedures for modified requests.
 - g. Recommend that requests for both records and information be treated as separate requests.
3. Training – Staff and Board members should receive initial and periodic training in records retention and the Public Records Act. Regular meetings should be scheduled with the AAG Advisor to discuss PRR developments.
4. Logging in PRRs – Assignment of PRR numbers should be more specific to identify the date and number of request; all actions taken on a PRR should be tracked in the log.
5. General Correspondence – References to “Public Disclosure Act” in general correspondence should be updated to “Public Records Act.”
6. ED’s Proposed Rule Changes to WAC 4-25-520 – Recommend revisions for “Hours for inspection of records” and other minor revisions.
7. Potential Legislative or Other Changes – Recommend pursuing legislation to exempt dates of birth, home addresses and home phone numbers, and closed confidential investigation files that have no findings of misconduct. Seek clarification on definition of e-mail records that need to be retained.
8. Website – Recommend that disciplinary records be made available on WBOA’s website by linking them to licensee or firm names.
9. Records Inventory – Develop a records inventory control system or revise CPAWare database to capture location of all paper and electronic records for all licensees and firms.

10. Scan Investigation Files for Retention – Consider retention of electronic master file for closed investigations; then destroy all paper documents.
11. Centralized E-mail Searches – Centralize search/retrieval of e-mail for PRRs to one staff member.
12. Segregate Files – Segregate confidential records to facilitate inspection and responses to PRRs.

WBOA Comments:

1. Public Records Request Form – A web-based Public Records Request form has been adopted and is now posted on the WBOA website.
2. Public Records Request Procedures – All these recommended procedures have been included in the WBOA's Public Records Disclosure manual and staff are directed to follow such procedures when PRRs are received.
3. Training – All personnel are receiving recurring training on the management of public records and responses to public records requests. Board members have been and will continue to be advised of PRR requirements, as necessary, by the Executive Director and the AAG Advisor.
4. Logging in PRRs – The recommendation has been implemented by WBOA staff.
5. General Correspondence – The recommendation has been implemented by WBOA staff.
6. ED's Proposed Rule Changes to WAC 4-25-520 – The recommendation was implemented in the Board's recent comprehensive Rule revision. The Rule is now under, What Public Records Are Available? WAC 4-30-024.
7. Potential Legislative or Other Changes – Legislative and Rule making activities have been curtailed due to legislative and executive branch directives. Exemptions will be proposed for legislation at a future date when deemed advisable.
8. Website – Board orders are now posted to the WBOA website, effective January 2011.
9. Records Inventory – The recommendation has been implemented by WBOA staff. An index for each case and each Licensee has been developed to readily locate all WBOA public records, including investigative files.

10. Scan Investigation Files for Retention – Implementation of the recommendation is in progress. Destruction of electronic documents for closed investigations is currently in place; however, destruction of related paper documents is being evaluated. (See comments in Records Management section above).
11. Centralized E-mail Searches – Currently, one staff member is assigned to perform e-mail searches. When necessary, the WBOA's IT staff member is directed to perform the searches.
12. Segregate Files – This recommendation has not yet been implemented, however, the Executive Director agrees it should be a priority.

PRTF Recommendations:

The Task Force concurs with the steps taken to date to implement the Zwillinger report recommendations, as outlined above. Segregation of confidential records from non-confidential records should be implemented.

SECTION 3 – QUALITY ASSURANCE REVIEW PROGRAM

Zwillinger Recommendation:

1. QAR Program Transition – Recommend requiring firms performing attest and full disclosure compilation services be required to have AICPA (or other WBOA approved) peer review. Licensees performing only nondisclosure compilations should submit a sample of reports to investigation staff for review.
2. Dissolution of QAR Committee – Dissolve QAR Committee if above recommendation is implemented.
3. Current QAR Program Policies Should Remain – Retain current policies for transitioning firms and firms that would continue to be subject to review (nondisclosure compilation firms).
4. Changes to Current QAR Program Policies – Develop and maintain a work program in each QAR file; Non-compliance with work program should be documented and approved by QAR Committee Co-Chair.

WBOA Comments:

1. QAR Program Transition – Effective December 19, 2010, firms that perform audits are now required to undergo AICPA peer review, as administered by the Washington Society of CPAs (WSCPAs). Firms that perform non-audit engagements (compilations, reviews, or attestation services) continue to be subject to the WBOA's QAR program. The Board has established a Peer Review Oversight Committee (PROC), consisting of 3 well-experienced contract personnel. The PROC provides ongoing oversight of the WSCPAs Peer Review Committee's report acceptance process. The PROC regularly reports on the results of its activities to the WBOA Board. The WSCPAs has agreed to transition firms that perform those non-audit engagements, including nondisclosure compilations, into the AICPA peer review program over the next two years. After that, the WBOA QAR program will no longer be needed.
2. Dissolution of QAR Committee – see comment 1. above.
3. Current QAR Program Policies Should Remain – see comment 1. above.
4. Changes to Current QAR Program Policies – see comment 1. above.

PRTF Recommendations:

The Task Force believes the changes implemented and planned in the QAR program represent appropriate and effective responses to the Zwillinger recommendations.

SECTION 4 – INVESTIGATION AND DISPOSITION OF COMPLAINTS

Zwillinger Recommendations:

1. Establish an Investigations Committee – Recommend a 7 to 9 member subcommittee of Licensees to oversee WBOA’s investigations, WBOA staff, and contract investigators. It would report to the Board and would be responsible for opening non-administrative investigations; providing direction to WBOA investigators; assigning consulting committee members to cases; approving requests for issuing Board subpoenas; recommending disciplinary actions for settlement proposals; approving staff recommendations to close administrative cases; approving recommendations to the Board to close investigations in non-administrative cases; conducting interviews of Respondents under investigation; setting recommended sanctions for Board approval; and negotiating Board-preapproved administrative sanctions with Respondents.
2. Investigation Work Plans Should Be Adopted – Standardized work plans for each type of investigation (administrative and non-administrative) should be adopted.
3. Work Programs Should Be Maintained in Investigation Files – Work programs that are developed should be completed for each case and maintained in the case investigation file.
4. Outdated Investigation Policies and Procedures Should Be Formally Retired – WBOA should review current policies and procedures and delete references to those no longer followed.
5. Additional Resources Should Be Allocated to the Investigation Process – Consider hiring an additional investigator or outsource complex investigations to ensure that numerous administrative or less complex investigations do not become stale due to a lack of resources.
6. Licensees Should Be Responsible for Properly Completing Required Pre-issuance Reviews – WBOA should cease performing pre-issuance for Licensees.
7. The Ability to investigate Should Be Clarified in Existing Statutes and/or Rules – The Board’s authority to investigate Licensees based on complaints or on its own should be reviewed at the statutory level to more directly state the Board’s investigative authority.
8. Eliminate Private Negotiations – WBOA staff should not engage in private settlement communications with Respondents without oversight from the proposed Investigations Committee or consulting Committee member. Such approved conversations should be in the presence of another staff member or be audio-taped (with disclosure to Respondent).

9. Consider Elimination the Use of E-mail Voting – The Board should consider conducting deliberation and voting on all Stipulated and Agreed Orders (SAOs) in person or in conference calls, rather than by e-mail.
10. Assistance of AAGs – Assistance of AAGs should be sought earlier in complex cases, those that will likely result in a formal hearing, or where the Respondent is uncooperative or hostile.
11. Review of Forms – The various forms used in formal adjudications, Brief Adjudication Proceedings (BAP), and SAO and accompanying letter forms should be periodically reviewed by the AAGs to ensure continued compliance with laws and regulations.
12. Training – The AAG Advisor should continue training of Board members prior to all hearings. Training materials and script should be reviewed by the AAG Advisor.
13. Disciplinary Guidelines – The Board should review and update Appendix A to the 2008 Delegation for administrative cases, and the Sanctions and Penalty Guidelines for non-administrative cases. Revisions should be reviewed and approved by the AAG.

WBOA Comments:

1. Establish an Investigations Committee – The Executive Director and Task Force members do not believe a volunteer investigations committee to assume much of the authority and responsibility currently delegated to the ED would result in an improvement in the investigation process. Such a process would, in their view, reduce timeliness in responding to consumer risk complaints, compromise the ability to efficiently resolve complaints, and be subject to the risk of not finding qualified volunteers willing to commit to this significant responsibility.
2. Investigation Work Plans Should Be Adopted – The Executive Director believes that investigative work plans are necessary and cost-effective only for those cases in which the public consumers are at risk of immediate or potential near-term financial or other harm. Public harm cases have been defined by the Executive Director as those that likely will result in revocations, suspensions, or practice restrictions due to incompetency. Six (6) categories of acts have been defined as having high public risk. Lower risk cases, including those involving administrative compliance and similar enforcement issues, do not justify the time and effort of a formal investigation work plan on each case. Further, formal policies and procedures are in place to ensure that complaints involving such lower risk situations are handled in a consistent and expeditious manner.
3. Work Programs Should Be Maintained in Investigation Files –See Item #2 above.

4. Outdated Investigation Policies and Procedures Should Be Formally Retired – The ED agrees with the recommendation. It is now in the process of being implemented,
5. Additional Resources Should Be Allocated to the Investigation Process – The Executive Director does not believe an increase in investigative staff is needed. The backlog of unresolved complaints and investigations has been significantly reduced as a result of changes in processes and assignments of staff, as well as reduced activity in public records requests. Case statistics through June 2011, provided to the Board, support this conclusion. Should the volume and complexity of cases become overly burdensome, Executive Director should obtain temporary assistance as needed.
6. Licenses Should Be Responsible for Properly Completing Required Pre-issuance Reviews – The Executive Director agrees with the recommendation. The ED and staff are now in the process of implementing a requirement for Licensees to engage a qualified reviewer to perform such pre-issuance reviews.
7. The Ability to investigate Should Be Clarified in Existing Statutes and/or Rules – On December 12, 2010, the Board enacted WAC 4-30-140, “What are the authority, structure, and processes for investigations and sanctions?” This new Rule describes the Board’s authority to investigate, including the delegation of such authority and responsibility to the Executive Director or others.
8. Eliminate Private Negotiations – The Executive Director agrees with the recommendation but believes it should only be required for public harm cases (see item #2 above). In such cases, pursuant to this recommendation, the assigned Consulting Board Member is now involved earlier in the investigation and provides input and approval of proposed settlement negotiations to be discussed with the Respondent. In each public harm case, two staff (the ED and the Director of Investigations) now perform the negotiations. In some cases, the CBM also participates directly in the negotiations. The Executive Director does not believe there is a need for more than one WBOA staff member to negotiate settlements involving administrative sanctions and similar lower risk matters. In most cases, any such sanctions are set forth in Designations of Authority. Use of an additional staff member in these cases would create inefficiency in the Agency and would not affect the outcome of such negotiations.
9. Consider Elimination the Use of E-mail Voting – The Task Force and Executive Director believe that the use of e-mail voting should continue for Stipulated and Agreed Orders. To improve the effectiveness of the e-mail voting process and to encourage an open dialogue on such cases, a revised policy has been adopted. For any cases on which two or more Board members (but less than a majority) dissent, their comments are circulated to the Board and the case is re-voted. If a clear consensus is not reached, the case is then brought to the full Board at a regular or special meeting. Further, no e-mail votes are taken on matters subject to a formal hearing.

10. Assistance of AAGs – The Prosecuting AAG is brought in to a case at the point when the Consulting Board Member and the Executive Director have agreed on an investigative or settlement strategy. This is consistent with Board Policy 2004-1 and the ED and Task Force members believe this practice is appropriate and should continue.
11. Review of Forms – This recommendation has not yet implemented, however, the ED agrees it should be a priority. He has started the process of reviewing and revising the existing forms. When that is completed, the forms will be provided to the AAGs for their review and approval.
12. Training – The Executive Director agrees that AAG Advisor assigned to the Board for hearings should provide guidance, including a review of the hearing script, for Board members prior to all hearings.
13. Disciplinary Guidelines – The ED agrees that the Board Delegation and Sanction and Penalty Guidelines should be reviewed and updated annually. The ED and Board members believe that this review should be performed by an Executive Committee of the Board, with input from the AAG Advisor.

PRTF Recommendations:

The Task Force recommends that the WBOA not adopt the Zwillinger recommendation to establish an investigations committee. The Task Force believes that the current investigation process is effective and efficient in the protection of the public. The Task Force concurs with the steps taken to date to implement the other Zwillinger report recommendations, as outlined above, and agrees with the Executive Director's views on the above issues as noted. The Task Force recommends completing review of current investigative policies and procedures and then delete references to those no longer followed. Further, the recommendations that the WBOA no longer provide pre-issuance report review services for Licensees, that the AAG review the various forms and correspondence, and that an annual review and update of the Board Delegation and Sanction and Penalty Guidelines be made by the Executive Committee and AAG Advisor should be implemented.

SECTION 5 – ADHERENCE TO POLICIES AND PROCEDURES

Zwillingger Recommendations:

1. Handling Complaints Against Staff – Recommend using the proposed Investigations Committee to review complaints against staff and make recommendations to the Executive Director.
2. Conflicts of Interest, Bias or Prejudice – Current informal policies and procedures to ensure avoidance of conflicts of interest, bias or prejudice (including *ex parte* communications, screening, and confidentiality) should be formalized and reviewed by the AAG Advisor.
3. Contract Review – The Brink & Sadler contract should be reviewed for any conflicts of interest involving Tom Sadler’s position with WBOA and an owner of that firm’s role in the QAR program.

WBOA Comments:

1. Handling Complaints Against Staff – At the direction of the legislature, the WBOA has recently established an Ethics Committee that is charged with investigating complaints against staff, conflicts of interest, and review contracts to ensure that the State’s ethics laws and rules are not violated. The Executive Director is the current chair of the Ethics Committee but he recommends that the Board chair head that committee and coordinate with the State’s Ethics Board on any related investigations. Accordingly, there is no need to implement the Zwillingger proposed investigations committee for this purpose.
2. Conflicts of Interest, Bias or Prejudice – As a part of the establishment of the new WBOA Ethics Committee, these policies have been formalized. In addition, State ethics policies are considered when ethics issues are investigated.
3. Contract Review – As part of its ongoing contract reviews, the WBOA Ethics Committee will review this matter annually. Based on the ED’s discussions with the State Ethic’s Board chair, however, the Brink & Sadler contract was determined not to be in violation of conflicts of interest rules when Tom Sadler was initially employed by the Agency.
4. Executive Committee – To further improve accountability and oversight of WBOA staff and activities, the Executive Director and the Task Force recommend creation of an Executive Committee (EC) of the Board. The EC would act on behalf of the Board and be responsible to:
 - a. Annually review and act, if necessary, on the reports of Board committees and subcommittees

- b. Identify emerging trends requiring changes or study that affect the performance of the Executive Director or staff in meeting the Board's expectations.
- c. Formally evaluate the performance of the Executive Director annually.
- d. Recommend agency request legislation or changes in Rules, policies, practices or other procedures, as appropriate.
- e. Recommend that the Executive Director reassess staff assignments, performance, or other staffing needs.
- f. Annually report an overview of the EC's activities to the full Board by the Board Chair.

PRTF Recommendations:

The Task Force concurs with the steps taken to date to implement the Zwillinger report recommendations, as outlined above. Further, the Task Force endorses the creation of an Executive Committee that will have the responsibilities described above.

QAR Statistics – 2011 Cycle As of August 21, 2011

2011 QAR Statistics

Total Licensed Firms (at January 1, 2011)	1,947	
Firms in 2011 QAR Cycle (582 Less 14 Deleted)	568	29.17%

Summary – Firms in 2011 Cycle

➤ Firms Requesting Peer Review Exemption	169	30%
➤ Firms Requesting Limited Scope Exemption	293	52%
➤ Firms Submitting Reports For Review	104**	18%
➤ Firms Did Not Respond (Enforcement)	2	.003%
Total	568	100%

** Note: Several firms had multiple reports for review.

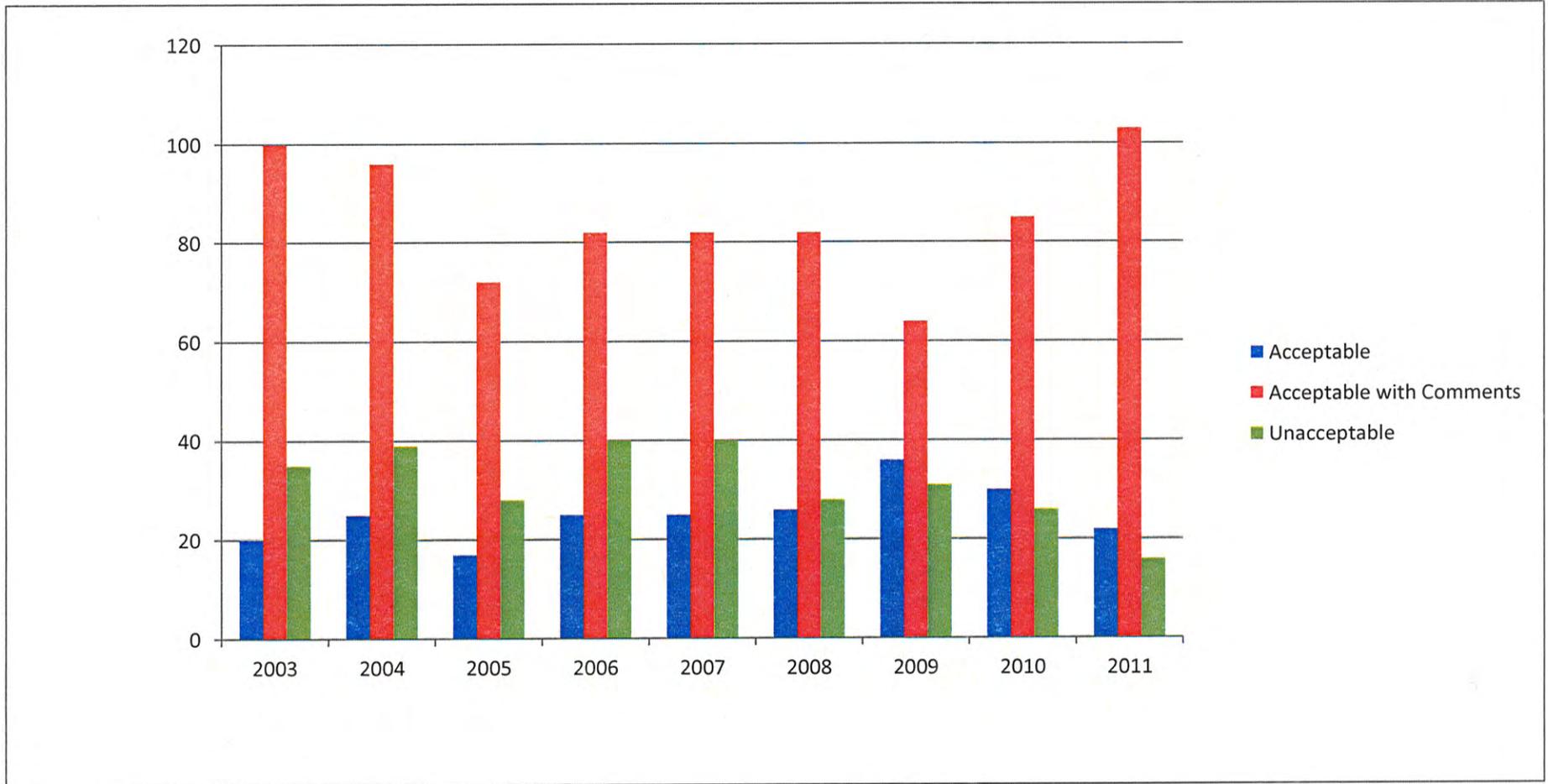
Summary of All Reports Reviewed

All Reports (141)**	Reviews	Compilations	Agreed Upon Procedures	Total	Percent
Graded Acceptable	2	17	3	22	16%
Graded Acceptable with Comments***	28	69	6	103	73%
Graded Unacceptable	5	9	2	16	11%
Total	35	95	11	141	100%

** Note: Several firms had multiple reports for review.

***Note: 22 reports were graded acceptable with comments due to SSARS 19.

QAR Historical Grades



Washington State Board of Accountancy									
Quality Assurance Review Program - Historical Grade Review									
As of August 21, 2011									
			Acceptable With						
QAR Cycle	Acceptable	Percent	Comments	Percent	Unacceptable	Percent	Total	Percent	
2003	20	12.90%	100	64.52%	35	22.58%	155	100.00%	
2004	25	15.63%	96	60.00%	39	24.38%	160	100.00%	
2005	17	14.53%	72	61.54%	28	23.93%	117	100.00%	
2006	18	12.95%	74	53.24%	47	33.81%	139	100.00%	
2007	25	17.01%	82	55.78%	40	27.21%	147	100.00%	
2008	26	19.12%	82	60.29%	28	20.59%	136	100.00%	
2009	36	27.48%	64	48.85%	31	23.66%	131	100.00%	
2010	30	21.28%	85	60.28%	26	18.44%	141	100.00%	
2011	22	15.60%	103	73.05%	16	11.35%	141	100.00%	

FIVE-YEAR COMPARATIVE STATISTICS										
	2007		2008		2009		2010		2011	
POPULATION										
Total Licensed Firms	1,877		1,879		1,902		1,926		1,947	
Firms Included in QAR	781	41.61%	522	27.78%	656	34.49%	761	39.51%	568	29.17%
QAR SUMMARY										
Exemption - Peer Review	244	31.24%	181	34.22%	220	33.23%	235	30.76%	169	27.93%
Exemption - Limited Scope	378	48.40%	212	40.08%	305	46.07%	384	50.26%	293	48.43%
Audit Reports Submitted	22	2.82%	21	3.97%	15	2.27%	21	2.75%	0	0.00%
Review Reports Submitted	39	4.99%	26	4.91%	38	5.74%	30	3.93%	35	5.79%
Compilation Reports Submitted	86	11.01%	80	15.12%	69	10.42%	86	11.26%	95	15.70%
Agreed-upon Procedures Submitted	0	0.00%	4	0.76%	6	0.91%	4	0.52%	11	1.82%
Forecast Report Submitted	0	0.00%	3	0.57%	1	0.15%	0	0.00%	0	0.00%
Projection Report Submitted	0	0.00%	2	0.38%	0	0.00%	0	0.00%	0	0.00%
Internal Control	0	0.00%	0	0.00%	2	0.30%	0	0.00%	0	0.00%
No Response	12	1.54%	0	0.00%	6	0.91%	4	0.52%	2	0.33%
Total	781	100.00%	529	100.00%	662	100.00%	764	100.00%	605	100.00%

**Washington State Board of Accountancy
Case Status Report**

	<u>3/31/10</u>	<u>6/30/10</u>	<u>9/30/10</u>	<u>12/31/10</u>	<u>2010</u>	<u>3/31/11</u>	<u>6/30/11</u>	<u>9/30/11</u>
Beginning Cases	176	157	150	131	176	93	66	51
Cases Opened	13	39	34	13	99	18	19	30
Cases Closed	<u>-32</u>	<u>-46</u>	<u>-53</u>	<u>-51</u>	<u>-182</u>	<u>-45</u>	<u>-34</u>	<u>-33</u>
Remaining Cases	<u>157</u>	<u>150</u>	<u>131</u>	<u>93</u>	<u>93</u>	<u>66</u>	<u>51</u>	<u>48</u>
Cases 07 and Older					14	10	6	5
Cases 08 and Newer					79	56	45	43
Totals					<u>93</u>	<u>66</u>	<u>51</u>	<u>48</u>
Investigation Completed:								
Attorney General		12	7	9		11	7	5
CBM		38	27	7		9	4	0
S&AO		45	55	53		23	11	7
CBM Dismissals		<u>10</u>	<u>9</u>	<u>4</u>		<u>0</u>	<u>1</u>	<u>1</u>
		<u>105</u>	<u>98</u>	<u>73</u>		43	23	13
Investigation In Progress:								
<u>Complaint Files</u>								
Active Investigation		18	14	20		19	17	17
<u>Agency Files</u>								
QAR		7	2	0		0	2	8
CPE		20	9	0		0	4	6
Admin		<u>0</u>	<u>8</u>	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
		<u>45</u>	<u>33</u>	<u>0</u>		0	6	14
Total		<u>150</u>	<u>131</u>	<u>93</u>		<u>62</u>	<u>46</u>	<u>44</u>
Active		149	129	90		62	46	44
Pending		<u>1</u>	<u>2</u>	<u>3</u>		<u>4</u>	<u>5</u>	<u>4</u>
Total		<u>150</u>	<u>131</u>	<u>93</u>		<u>66</u>	<u>51</u>	<u>48</u>
Classification:								
Code of Conduct			23	20		22	17	11
Competency			18	16		11	10	11
Title			26	18		6	6	2
Fraud			<u>6</u>	<u>5</u>		<u>7</u>	<u>6</u>	<u>9</u>
			73	59		46	39	33
Administrative								
QAR			21	13		8	5	8
CPE			<u>37</u>	<u>21</u>		<u>12</u>	<u>7</u>	<u>7</u>
			<u>58</u>	<u>34</u>		<u>20</u>	<u>12</u>	<u>15</u>
Total			<u>131</u>	<u>93</u>		<u>66</u>	<u>51</u>	<u>48</u>
Closed cases:								
Reinstatements						1	1	
Revocation			3	0	5	0	1	2
Suspension			1	6	8	4	6	3
Practice restriction			1	1	3	2	2	
SAO-Fine/costs/other sanctions			8	18	68	24	13	7
Dismissals			11	17	57	12	8	12
Admin Sanctions			<u>29</u>	<u>9</u>	<u>41</u>	<u>2</u>	<u>3</u>	<u>9</u>
Total			<u>53</u>	<u>51</u>	<u>182</u>	<u>45</u>	<u>34</u>	<u>33</u>
Other:								
Complaints received not opened	<u>14</u>	<u>13</u>	<u>12</u>	<u>17</u>	<u>56</u>	<u>10</u>	<u>8</u>	<u>5</u>
PCAOB/Peer Review Monitoring			<u>28</u>	<u>34</u>		<u>29</u>	<u>25</u>	<u>20</u>
Administrative Sanctions-CPE Failures under 16 hours					<u>255</u>			

Board of Accountancy

Washington State



Investigation Results/Statistics

2011

In carrying out its mission "to promote dependable, accessible financial information" the Board is responsible for investigating complaints against CPAs, CPA-Inactive certificateholders, and CPA firms. Complaints can originate from clients, other CPAs, federal or state regulators, or identified through agency oversight and review programs. Complaints result from allegations of technical errors, or ethical or legal violations. The Board has closed 112 cases during 2011. Complaints or inquiries originated from the following sources:

Source of Complaint

Agency oversight programs/Board initiated	52	46%
Clients	35	31%
Employer/Employee	3	3%
Other CPAs	4	4%
Media		
Miscellaneous	4	4%
Anonymous	2	2%
Federal, state, local or foreign jurisdiction	1	1%
Self-reported	11	9%
Non-governmental professionally related standard-setting entity		
Total	112	

The 112 cases closed during 2011 resulted from the following allegations:

Administrative

Failure to change address		
Failure to respond to Board oversight/inquiries	7	6%
Request for reinstatement of suspended license/certificate	3	3%

Code of Conduct

Conflicts	3	3%
Confidentiality	5	4%

Failure to complete engagement	3	3%
Failure to pay individual federal income taxes		
Independence		
Misrepresentations/fees		
Professional misconduct	6	5%
Records retention	6	5%
Competency		
Noncompliance with technical standards including Quality Assurance Review	15	13%
Sanction/denial of practice privilege by a federal, state, local or foreign jurisdiction	1	1%
Sanction by non-governmental professionally related standard-setting entity		
Tax return errors	8	7%
CPE		
Failure to substantiate CPE on audit	21	19%
Failure to substantiate CPE on renewal	7	6%
Fraud		
Embezzlement	1	1%
Theft	1	1%
Conspiracy	1	1%
Title Use:		
Use of title or holding out in public practice by a nonCPA or non WA CPA	7	6%
Issuance or offering to issue audit, review, or compilation report by unauthorized individual		
Use of title or holding out in public practice with a lapsed license/certificate or no CPA firm license	17	15%
Total:	112	

The Board resolved the 112 cases during 2011 as follows:

Closed via Board Order		
Fine/costs/other sanctions	44	39%
Reinstatement of suspended license/certificate	2	2%
Practice restriction	4	4%
Suspension	13	12%
Revocation	3	3%
Administrative Sanctions Imposed	14	12%
Lack of evidence of violation	32	28%
Total	112	

See Also:

[2011 License and certificate suspensions \(including stayed suspension\) and revocations](#)

[2011 Other Board Orders](#)

[Back to Investigation Statistics Main Page](#)

Investigation Statistics

Historical data: January 1990 through September 30, 2011

Year Opened	Number of Cases Opened	Number of Cases Closed
1990	79	68
1991	79	81
1992	83	83
1993	76	80
1994	83	67
1995	79	62
1996	78	91
1997	83	85
1998	93	109
1999	58	71
2000	33	40
2001	50	33
2002	45	58
2003	83	62
2004	144	92
2005	83	85
2006	131	64
2007	143	176
2008	90	99
2009	130	76
2010	99	182
2011	67	112

As of September 30, 2011:

Active Cases: **44**
Pending Cases: **4**
Total Open Cases **48**