



Conflict of Interest: *The Subtle Menace*

By Charles Satterlund, CPA, Executive Director

When I was a young boy growing up in what was then rural Eastern Pierce County, I had the privilege to become acquainted with a neighbor who had emigrated from Norway and had spent his working life as a minister of a local church before he retired to tend his garden.

He lived in a small cinder block cottage at the end of a long driveway which was tucked deep within a dense stand of Alder and Cottonwood trees. Well into his seventies by the time I met him, he mowed his lawn with a scythe and very cleverly taught me how to use the tool while getting his lawn mowed in the process.

Among the many things he said to me that stick in my mind, was to be aware that all too often true evil is both subtle and attractive.

I think about this conversation frequently when involved with our enforcement efforts here at the Board. Most of the issues the Board addresses are what I like to refer to as “sins of omission”, meaning that most often the source of a complaint is a simple oversight or mistake by the CPA. While never desirable, the Board’s disciplinary process can act as a catalyst for the CPA to get the training that he or she might need to avoid these problems in the future. Taken as a learning moment, the CPA can come out of the process as a stronger professional.

Our enforcement team deals with approximately a hundred complaints a year which is a very small percentage of the more than seventeen thousand licensees here in the State of Washington. However, we also deal with a number of complaints that originate from CPAs placing themselves in bad

situations between competing interests. The motivation to help the client is often well intentioned, but good intentions will not prevent a conflict of interest complaint.

The difficulty with conflicts of interest are that they are not easy to spot because they are not fully formed at the outset of an engagement. For instance, a CPA may not see any potential conflict if he or she continues to work with a couple who have been long term clients as they begin moving through the process of a divorce. While perhaps amicable at the beginning, hurt feelings and anger can all too often be displaced on the CPA if he or she is seen to have favored one party over the other.

The other potential scenario is that CPAs come into contact with diverse business clients and see many opportunities to become involved in a business as an owner or board member. While most CPAs know very well that it is prohibited to engage in any sort of attest engagement per Board Rules and the AICPA Code of Professional Conduct if independence is compromised, it becomes less clear when providing other services such as tax, accounting, or consulting.

Again the skies are clear at the outset of an endeavor, but as inevitable disagreements evolve between business owners, storm clouds begin to form on the horizon. Someone might be unhappy with a position that a CPA has taken as a partner or board member. As the conflict grows, they might see an opportunity to attack the CPA on the basis of a breach of professional ethics, if he or she is also providing a professional service to the business entity. The unfortunate result is a minor disaster for the CPA in terms of stress and reputation impact.

CPAs need to understand the subtle and evolving nature of conflicts of interest. There is an old saying that the wise captain avoids the storm he knows he can’t handle, and handles the storm that he cannot avoid. Likewise, a CPA should take time to study the professional and regulatory literature governing any particular engagement to know the extent of risk of potential conflicts of interest prior to engaging with a client. If engaged with a client, and conflicts arise, strong consideration should be given to an orderly and amicable disengagement with the client.

While Board Staff do not provide legal advice and cannot provide a safe harbor to prevent any future complaint, we are happy to discuss how conflicts of interest relate to the Washington State Public Accountancy Act and related Rules.

Charles E. Satterlund, CPA
Executive Director

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We would like to thank the following Board members for their years of service:

Donald F. Aubrey, CPA
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We would also like to welcome the following new Board members appointed by Governor Inslee effective June 15, 2016:

Mark Hugh, CPA
Joel Cambern
Rajib Doogar

OFFICE CLOSURES

Monday, September 5, 2016
Labor Day

Friday, November 11, 2016
Veteran's Day

Thursday, November 24, 2016
Thanksgiving

Friday, November 25, 2016
Native American Heritage Day

Monday, December 26, 2016
Day after Christmas Day

Monday, January 2, 2017
New Year's Day Observed

**HELP US, HELP YOU,
ANY SUGGESTIONS?**

Please send your suggestions to
customerservice@cpaboard.wa.gov.

A MESSAGE FROM THE BOARD CHAIR

WHEN HELPING CAN BE HARMFUL



The instinct to help out when another is in need is a wonderful trait, and one that I have often observed in those who wear the mantle of CPA. I have had the opportunity to be a part of this particular professional community for the past 35 years. During that time I have served on the WSCPA Professional Conduct Committee and the AICPA Professional Ethics Executive Committee, taught continuing education as an ethics instructor, and served as a board member of the Washington State Board of Accountancy. In each of these rolls I have observed the myriad ways that CPAs use their knowledge, skills and expertise to help clients, employers and the general public make sense out of complicated tax matters.

I have also seen firsthand how the drive to be of assistance can land even the most well-meaning CPA in hot water. Over the years I have answered numerous questions from CPA's—more often than not after the fact—about whether their professional conduct in a given situation is within the guidelines of the established rules and regulations. Perhaps they have been asked by a client, their employer, or their agency to assist with a problem or issue, and in an effort to be “helpful” and solve a problem, they haven't taken the time to consider whether that helpfulness falls within the standards that we are held to as licensees.

As licensed CPA's in the State of Washington, we are governed by the Public Accountancy Act, as found in the Revised Code of Washington, or RCW Chapter 18.04 (the rules that have been developed as a result of this statute can be found in the Washington Administrative Code, in Chapter 4-30 WAC). Wrap in the AICPA Code of Professional Conduct and myriad other standards set forth by governing bodies, not to mention the sheer scope and complexity of the Internal Revenue Code, and it's easy to see why so many CPA's never bother to take the time and fully understand the regulations within which they are legally required to operate.

In my interactions with CPA's, more often than not I find two things: (1) the CPA may not have taken the time to make sure that they understand the professional standards of practice before they perform a service, and (2) the CPA has not looked at the service which they are about to provide in the context of the Rules of the Board of Accountancy or the AICPA Code of Professional Conduct. What can result in these situations is that the work was not performed correctly, and/or by the merely providing that work, the CPA has violated the both the AICPA Code of Conduct and the WBOA Rules.

Recently, a CPA asked about the following situation: he was asked to prepare a joint 2013 tax return for a couple that he knew from his church. The couple was in the midst of divorce proceedings that were to be finalized in 2014. The couple indicated that it was going to be an “amicable” divorce, and wanted the return prepared as cheaply as possible. The CPA prepared the return for the couple, which they filed. After the divorce was finalized in 2014, the wife claimed that the now ex-husband did not disclose information that should have been included on the return, which resulted in additional tax liability. She then filed a complaint against the CPA. The CPA was asking me if he was now “in trouble” as a result.

The short answer? Yes. The AICPA Code of Conduct, WBOA Board Rule, and IRS Circular 230 (relevant standards of practice) show that this situation is a clear conflict of interest. They also provide exactly what the CPA should have done once the conflict was identified. If the CPA had resisted the urge to “help out” his friends and had sought advice and/or counsel, this issue could very well have been avoided.

One of the hallmarks of our profession is that we are to perform whatever services we provide with integrity, objectivity, and professional skepticism. We have the obligation to protect the public interest and the CPA profession, and in that process, ourselves. To that end I feel that it is incumbent on each of us to stop and ask the question “can I do what I am about to do, and are there any issues that I need to be aware of?” In that way we may be able to avoid bringing harm on ourselves, when all we are trying to do is help someone else. After all, we are the most help to those in need of our services when we also make sure to protect ourselves.

Sincerely,

Thomas G. Neill, CPA
Board Chair

FIRM MOBILITY

Washington State enacted HB 2433 this past legislative session, which allows full firm mobility within our state. Effective June 9, 2016, an out of state firm may offer or render attest services in Washington state without obtaining a firm license. The out of state firm is required to meet RCW 18.04.195 (1) (a) and (b).

The out of state firm is still required to comply with the rules and laws of our state. The Board will take action on those firms, if necessary.

The Board is currently undergoing several rule changes to reflect the law. There will be a public rule making hearing at our July 29th Board meeting. If you have any questions or concerns regarding the proposed rule changes, please contact us at customerservice@cpaboard.wa.gov.



Left to Right: Charles Satterlund, David Miniken, Kimberly Scott, Governor Inslee, Jennifer Sciba, Rep. Brandon Vick, and adorable daughter Makena Vick.

ELIJAH WATTS SELLS AWARD FOR 2015

The American Institute of CPAs (AICPA) announced the winners of the 2015 Elijah Watt Sells Award.

The Elijah Watt Sells Award program was established by the AICPA in 1923 to recognize outstanding performance on the CPA Examination.

Sells was one of the country's first CPAs. He was active in the establishment of the AICPA and played a key role helping to advance professional education in the profession.

The award is bestowed upon candidates who have obtained a cumulative average score above 95.50 across all four sections of the Uniform CPA Examination, completed testing during the 2015 calendar year, and passed all four sections of the Examination on their first attempt. More than 93,742 individuals sat for the Examination in 2015, with 75 candidates meeting the criteria to receive the Elijah Watt Sells Award.

The Board would like to congratulate the following Washington State Candidate who received the 2015 Elijah Watts Sells award: **Samuel Crosby**.



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MINI VACATION

Tax season is finally over, take a mini vacation around Washington State. Here are a few of our suggestions:

- Spray Park
- Mount Rainier
- Lower Lewis Falls
- Kalaloch Resort
- Olympic Peninsula
- Great Wolf Lodge
- Experience Music Project "EMP" Museum
- Marine Science and Technology Center "Discovery Days"
- Pike Place Market
- The Gorge Amphitheatre



We wish Rick Sweeney, CPA much happiness in his retirement.

Thank you for all your years of service!

AN EARLY April morning in Olympia, Washington finds a tired Anthony Manfre in his kitchen struggling to make coffee. Though it's still dark out, a steady stream of thoughts funnel through this Communications Specialist's mind. How many emails will I have to answer concerning enrollment for the Washington State ethics exam for aspiring CPAs? How many new applicants will I receive in my work queue today and how many will I actually have a chance to work on between phone calls and emails requesting answers to a myriad of questions such as, what kind of CPE is acceptable, when is my license due, and how do I login into my Secure Access Washington (SAW) account? But today is a special day it's the last day for CPAs to renew their licenses before a late fee is required. How many people will I be able to assist with their online applications on SAW?

I am a New Jersey native who has retired from the U.S. Air Force. I have not been with the Board long, but I like to think of it as a new chapter of my life that needs to be accomplished. With a lot of help from colleagues and supervisors, I find myself really enjoying my new life assisting others in their chosen profession. Whether it's assisting them in reinstating their CPA license or simply assisting a caller in understanding the Board rules; I find myself sitting down at the end of the day satisfied that I performed a valuable service.

DO YOU KEEP MISSING YOUR DEADLINES?

I'M LATE, I'M LATE, FOR A VERY IMPORTANT...WELL YOU GET THE IDEA

In today's society we are driven by technology and speed. Dates and deadlines are flying at us as though we have jumped into a jet and are flying in the same high speed loop year after year.

We can set reminders in our e-mail, our phones, our computers, and even for some of us old timers, write deadlines on our calendar, (ya know that paper thing that used to hang on the wall to help you remember what day it was).

So why are deadlines related to the soundness of your CPA license so often missed?

Let's review the deadlines related to keeping your CPA license up to snuff.

YOU'VE DONE IT!

You completed the education, passed the exam, obtained your experience, applied and received your shiny new CPA License.

NOW WHAT?

Do you remember the letter that was in the envelope with your wall document? No? Well that letter provided you with the best guidance to being on the right track right out of the gate. So pulling out the wall document, putting it in the nicest frame ever made, and tossing the rest is not allowed!

BOARD COMMUNICATIONS

The Board of Accountancy sends out notices for CPE reminders, as well as renewal reminders for each cycle.

The CPA License is renewed once every 3 years. Let's use the example of someone who gets their CPA license application approved August 1, 2016. We will review the new licensee's important dates and the aid provided by the board.

August 2016– Initial License Packet. This packet will contain:

- Congratulatory letter, with details on your:
 - » First CPE reporting period, which is the date your license is issued (08/01/2016) to December 31st, of the 3rd calendar year (12/31/2018); and,
 - » CPA License Expiration date – June 30, 2019.
- Frameable wall document. (Yes we know, the cool part)

Then we are going to leave you alone to settle into your profession. Well, until the end of 2018 anyway...

October 2018 – CPE Reminder Notice

- This notice will identify that you need to have completed 120 hours of CPE, including a Board pre-approved Washington State ethics course, between 08/01/2016 and 12/31/2018, to be eligible to renew in 2019.
- We cannot stress this enough – CPE, including a pre-approved Washington state ethics course, must be done by December 31st of the year prior to your renewal year.

November 1 - December 31, 2018– CPE Extension Request Form Will Be Available Online

- CPE extensions are only approved for individuals with extreme hardship. (And no, "my dog ate my CPE" is not an extreme hardship.)
- The Board may provide limited extensions to the CPE requirements for reasons of individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment. You must request such an extension in writing by December 31st of the calendar year preceding the calendar year of your renewal. The request must include justification for the request and identify the specific CPE you plan to obtain to correct your CPE deficiency.

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DO YOU KEEP MISSING YOUR DEADLINES?

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- December 31st is the CPE deadline even though your license does not expire until June 30th of the following year. We make no exceptions to this requirement, as it is an administrative necessity. There are remedies if you fail to complete your CPE by this deadline but they will require additional effort on your part.

January 1, 2019 – Online Renewal Application Will Go Live for 2019 Renewal Applicants

January 2019– First Notice That You Can Go Online And Renew

- The renewal window is January 1st to April 30th.

April 16, 2019 – Second Notice For Renewal/ Last Chance Before Late Fees Go Into Effect

- If you miss the April 30th deadline, don't fret, we will still allow you to renew up until June 30th.
- Renewals submitted between May 1st and June 30th will be assessed a \$100 late fee.

Mid-June, 2019 – Final Notice To Renew

- Need we say more?

So Let's Recap

- Mid-October – Reminder notices are sent regarding CPE deadline, and upcoming renewals.
- December 31st – CPE is due by December 31st of the year prior to renewal. Didn't complete your CPE, then you are not eligible to renew, end of story, there is no "grace period".
- January 1st to April 30th – This is your official renewal window.
- May 1st to June 30th – Your CPA License renewal window – with a late fee.
- June 30th – When your license is issued your CPA expiration date will state 06/30/2019. However, this date has little to do with the renewal of your CPA License. It simply acts as a reminder of the last date possible to act and still keep your license active.
- July 1st – Any credential not renewed by June 30th will automatically lapse on July 1st and be subject to the requirements of reinstatement.

GOVERNOR INSLEE VISITS OUR OFFICE

On Tuesday, March 8, 2016, we had a surprise visitor. . . Governor Inslee dropped by to say hello.

He spoke with each of us individually and asked questions about our specific job duties.

He also expressed his appreciation for our service to the citizens of Washington State. It was quite an honor for all of us at the Board of Accountancy.



Anthony Manfre, Taylor Shahon, Tia Landry, Charles Satterlund, Governor Inslee, Lori Mickelson, Jennifer Sciba, Kirsten Donovan, Kelly Wulfekuhle.
Absent: Michelle Tuscher



PEER REVIEW REPORTING REQUIREMENT

Firms who are undergoing peer review must notify the board within thirty days from the date the peer reviewer or a team captain advises you that a grade of pass with deficiencies or fail will be recommended. The notification must include the details of any required corrective action plan being recommended and the planned date that the remedial action(s) will be completed once the corrective action plan is approved by the peer review acceptance committee.

If you have any questions, please contact customerservice@cpaboard.wa.gov.

RULES SPOTLIGHT

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

Do you know anyone who is currently enrolled in school, who is considering sitting for the CPA Exam? You may want to point out to them that the education requirement rule has recently undergone changes.

The Board voted on and approved the amended rule at the April 17, 2016, Board meeting. The amended rule went into effect on May 23, 2016. You are able to view the changes [here](#).

VIEW CHANGES

PHISHING SCAMS

Phishing scams? I never fall for those! You're talking to your friend on the phone, and in the middle of the conversation they say, "Hold on, I just got an email from my bank and my account has been compromised! They need me to answer a few questions to verify my identity, and they will correct the errors."

Nearly all of us have gotten one. An email from your bank asking you to click the link to fill in your name and account number to regain access to a compromised account; a message from your work telling you to click a link and log in immediately if you still want to be able to use your company email.

They sound important, and often are made to look like the real thing, but in reality, they're phishing emails, and not really from your bank, work, or other trusted source. They're designed to trick you into providing private information, like your username, password, and/or account number, to scammers so that they can commit identity theft.

If you get something like this from a company you have an account with, go directly to their website yourself, not by clicking the link, but by typing in the website address. If you're not sure, call them to ask about the email. Most companies will never ask for important information in this way, so consider it a red flag, and don't risk just handing over your information.



CPA EXAM CHANGES COMING IN 2017

When will the changes take effect?

April 1, 2017 (the 2017 Q2 testing window).

How many sections will the revised exam include?

- Auditing and Attestation (AUD)
- Business Environment and Concepts (BEC)
- Financial Accounting and Reporting (FAR)
- Regulation (REG)

How many hours are allocated for the revised exam?

Each section of the exam will be four hours in length for a total testing time of 16 hours.

What types of items will appear on the revised exam?

Candidates will be assessed on a variety of content using multiple-choice questions (MCQs) and task-based simulations (TBSs) in all four sections. The BEC section will also include three written responses.

What will the scoring weights be?

Scoring weights for AUD, FAR and REG will be approximately 50% MCQ / 50% TBS. Scoring weights for BEC will be approximately 50% MCQ, 35% TBS and 15% Written Response. The chart below breaks down the number of MCQs, TBSs, and Written Responses for each section.

Section	Multiple Choice Questions (MCQ)	Task-Based Simulations (TBSs)	Written Responses
AUD	72	8 – 9	N/A
BEC	62	4 – 5	3
FAR	66	8 – 9	N/A
REG	76	8 – 9	N/A

Will there be additional testing time during the year?

Beginning with the 2016 Q2 testing window (April 1, 2016), each window will be expanded by 10 days into the traditional dark months. This 10-day extension will not be offered during the 2017 Q2 testing window when the revised exam launches.

How soon will I get my scores with the revised exam?

The chart below shows a breakdown of the dates that scores will be released. In the first quarter of 2018, it is expected that the existing average 20-day rolling score release timeline will resume.

Test Window	AICPA / Board of Examiners Review Exam Performance Data / Set Passing Score	Approximate Release Date of Candidate Scores
2017 Q2 April 3 – May 31, 2017	10 weeks*	August 14
2017 Q3 July 1 – September 10, 2017	10 days	September 22
2017 Q4 October 1 – December 10, 2017	10 days	December 22

*New passing score will be set during this timeframe

For other questions related to the content of the Exam, please visit the AICPA website. For other questions related to the administration of the Exam, please visit the NASBA website.