



CHARTING *an* ETHICAL COURSE

VIRGINIA SPECIFIC ETHICS COURSE 2019

Virginia CPA Ethics: 2019 Required Course

Student Manual

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This training has been created to fulfill the Virginia Board of Accountancy's (VBOA) annual 2-hour (100-minute) CPE requirement for 2019. Beginning in 2003, all CPAs subject to Virginia CPE requirements must take an annual Ethics CPE course. Each year, the VBOA provides an outline of topics to be included, which can be found at tinyurl.com/2019VBOAEthicsOutline (DOCX). Developed using that outline as the course framework, attendees will be able to accomplish the following fundamental objectives:

- Summarize updates and changes to statutes, regulations and policies to which Virginia CPAs must adhere
- Recall the American Institute of CPAs (AICPA) Code of Professional Conduct when faced with ethical dilemmas
- Recognize the changes happening in the world and how they affect the work CPA professionals perform

The VSCPA has confirmed that this class qualifies for 2 hours (100 minutes) of Ethics CPE in Virginia as well as 2 hours of Ethics CPE for CPAs licensed in these other states:

- Maryland: Satisfies 2 hours
- North Carolina: Group study and self-study versions satisfy 2 hours for CPAs licensed in Virginia and North Carolina for CPAs who primarily work in Virginia
- Washington, D.C.: Satisfies 2 hours
- West Virginia: Satisfies 2 hours

Please note: This class is not intended to be an all-encompassing update or to present all significant events occurring during the prior year. The information provided and scenarios presented do not represent official positions of the VBOA, the AICPA, the U.S. Internal Revenue Service (IRS), the International Ethics Standards Board for Accountants (IESBA) or any other standard-setting or regulatory body discussed herein, nor do they represent the views of any individual course instructor unless specifically noted. For specific advice or clarification, please research the applicable standards or seek advice from the appropriate governing/regulating organization.

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Virginia-Specific Ethics Course 2019 Outline

1. Ethical decision-making

- Procedures for ethical decision-making
- AICPA conceptual frameworks for CPAs in public practice and industry
- PLUS Ethical Decision-Making Model

2 Services to the public beyond vocation

- Volunteerism
- Firm registration

3. Update on rules and regulations

- Single license renewal date for all licensees
- CPE requirements
- Discuss requirements for the Active — CPE Exempt status

4. Staying on the ethical course

- Ownership of work papers
- Unbiased data reporting
- Ethical verbal and nonverbal communication
- Fraud and the dangers of social media

Upon successful completion of this course, attendees will be able to:

- Identify the AICPA and PLUS models for ethical decision-making
- Clarify ways to provide acceptable service to the public beyond their vocation while complying with rules and regulations
- Recognize rules and regulations that guide the profession in the state of Virginia
- Isolate critical steps for charting an ethical course that is acceptable to the profession

Note: Providers/instructors must provide a copy of this outline to each participant. It is recommended that providers/instructors make cases and other materials available to participants in advance, e.g., by posting them on provider websites.

Important: This outline has been approved by the Virginia Board of Accountancy. Virginia-Specific Ethics Course providers/instructors should encourage participants to monitor the VBOA website for updates and information regarding the VBOA. Providers/instructors should also recommend that licensees register with the Virginia Town Hall to receive automated VBOA regulatory updates (townhall.virginia.gov).

CHAPTER I: Ethical Decision-Making

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The updated AICPA Code of Professional Conduct (Code) went into effect in 2014. In the update, the AICPA provided a conceptual framework to address scenarios where there was no explicit guidance in the Code, but where CPAs felt ethical issues may occur. Using a principles-based approach, the Code adopted a threats-and-safeguards approach, similar to what the Yellow Book had adopted a few years earlier.

In this principles-based approach, if a question raised by a CPA is not addressed in the Code, the CPA should first identify the threats related to the scenario. Once identified, the CPA can determine the significance of the threat. Based on the assessment, the CPA then identifies safeguards that mitigate the threat by either removing the threat or reducing it to an acceptable level. The CPA then evaluates if the safeguard worked before proceeding. If the safeguard does not reduce the risk to an acceptable level, then the CPA should not proceed. The threats-and-safeguards approach does not override an explicit prohibition in the Code.

There are separate conceptual frameworks for CPAs in industry and those in public practice. These frameworks are presented below for easy reference, followed by an alternative ethical decision-making model that complements the Code.

Threats: Public Accounting

The Code identified seven threats as part of the conceptual framework for CPAs in public practice:

- .10 **Adverse interest threat.** The *threat* that a *member* will not act with objectivity because the *member's* interests are opposed to the *client's* interests. Examples of adverse interest *threats* include the following:
 - a. The *client* has expressed an intention to commence litigation against the *member*.
 - b. A *client* or officer, director, or significant shareholder of the client participates in litigation against the *firm*.
 - c. A subrogee asserts a claim against the *firm* for recovery of insurance payments made to the *client*.
 - d. A class action lawsuit is filed against the *client* and its officers and directors and the *firm* and its professional accountants.
- .11 **Advocacy threat.** The *threat* that a *member* will promote a *client's* interests or position to the point that his or her objectivity or *independence* is compromised. Examples of advocacy threats include the following:
 - a. A *member* provides forensic accounting services to a *client* in litigation or a dispute with third parties.
 - b. A *firm* acts as an investment adviser for an officer, a director, or a 10 percent shareholder of a *client*.
 - c. A *firm* underwrites or promotes a *client's* shares.
 - d. A *firm* acts as a registered agent for a *client*.
 - e. A *member* endorses a *client's* services or products.
- .12 **Familiarity threat.** The *threat* that, due to a long or close relationship with a *client*, a *member* will become too sympathetic to the *client's* interests or too accepting of the *client's* work or product. Examples of familiarity *threats* include the following:

- a. A *member's immediate family* or *close relative* is employed by the *client*.
 - b. A *member's* close friend is employed by the *client*.
 - c. A former *partner* or professional employee joins the *client* in a *key position* and has knowledge of the *firm's* policies and practices for the *professional services* engagement.
 - d. Senior personnel have a long association with a *client*.
 - e. A *member* has a significant close business relationship with an officer, a director, or a 10 percent shareholder of a *client*.
- .13 **Management participation threat.** The *threat* that a *member* will take on the role of *client* management or otherwise assume management responsibilities, such may occur during an engagement to provide nonattest services.
- .14 **Self-interest threat.** The *threat* that a *member* could benefit, financially or otherwise, from an interest in, or relationship with, a *client* or persons associated with the *client*. Examples of self-interest *threats* include the following:
- a. The *member* has a *financial interest* in a *client*, and the outcome of a *professional services* engagement may affect the fair value of that *financial interest*.
 - b. The *member's* spouse enters into employment negotiations with the *client*.
 - c. A *firm* enters into a contingent fee arrangement for a tax refund claim that is not a predetermined fee.
 - d. Excessive reliance exists on revenue from a single *client*.
- .15 **Self-review threat.** The *threat* that a *member* will not appropriately evaluate the results of a previous judgment made or service performed or supervised by the *member* or an individual in the *member's firm* and that the *member* will rely on that service in forming a judgment as part of another service. Examples of self-review *threats* include the following:
- a. The *member* relies on the work product of the *member's firm*.
 - b. The *member* performs bookkeeping services for a *client*.
 - c. A *partner* in the *member's office* was associated with the *client* as an employee, an officer, a director, or a contractor.
- .16 **Undue influence threat.** The *threat* that a *member* will subordinate his or her judgment to an individual associated with a *client* or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the *member*. Examples of undue influence *threats* include the following:
- a. The *firm* is threatened with dismissal from a *client* engagement.
 - b. The *client* indicates that it will not award additional engagements to the *firm* if the *firm* continues to disagree with the *client* on an accounting or tax matter.
 - c. An individual associated with a *client* or any relevant third party threatens to withdraw or terminate a *professional service* unless the *member* reaches certain judgments or conclusions.

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Threats: Business & Industry

The conceptual framework for CPAs in industry has six threats identified:

- .09 **Adverse interest threat.** The *threat* that a *member* will not act with objectivity because the *member's* interests are opposed to the interests of the *employing organization*. Examples of adverse interest *threats* include the following:
- A *member* has charged, or expressed an intention to charge, the *employing organization* with violations of law.
 - A *member* or the *member's immediate family* or *close relative* has a financial or another relationship with a vendor, customer, competitor, or potential acquisition of the *employing organization*.
 - A *member* has sued or expressed an intention to sue the *employing organization* or its officers, directors, or employees.
- .10 **Advocacy threat.** The *threat* that a *member* will promote an *employing organization's* interests or position to the point that his or her objectivity is compromised. Examples of advocacy *threats* include the following:
- Obtaining favorable financing or additional capital is dependent upon the information that the *member* includes in, or excludes from, a prospectus, an offering, a business plan, a financing application, or a regulatory filing.
 - The *member* gives or fails to give information that the *member* knows will unduly influence the conclusions reached by an external service provider or other third party.
- .11 **Familiarity threat.** The *threat* that, due to a long or close relationship with a person or an *employing organization*, a *member* will become too sympathetic to their interests or too accepting of the person's work or *employing organization's* product or service. Examples of familiarity *threats* include the following:
- A *member* uses an *immediate family's* or a *close relative's* company as a supplier to the *employing organization*.
 - A *member* may accept an individual's work product with little or no review because the individual has been producing an acceptable work product for an extended period of time.
 - A *member's immediate family* or *close relative* is employed as a *member's* subordinate.
 - A *member* regularly accepts gifts or entertainment from a vendor or customer of the *employing organization*.
- .12 **Self-interest threat.** The *threat* that a *member* could benefit, financially or otherwise, from an interest in, or relationship with, the *employing organization* or persons associated with the *employing organization*. Examples of self-interest *threats* include the following:
- A *member's immediate family* or *close relative* has a financial interest in the *employing organization*.
 - A *member* holds a *financial interest* (for example, shares or share options) in the *employing organization*, and the value of that *financial interest* is directly affected by the *member's* decisions.

c. A *member* is eligible for a profit or other performance-related bonus, and the value of that bonus is directly affected by the *member's* decisions.

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

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

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

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

In addition to providing definitions and examples of threats, the Code also provides examples of safeguards that can be used to reduce threats to an acceptable level.

Industry Safeguards

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

- a. Education and training requirements on ethics and professional responsibilities
- b. Continuing education requirements on ethics
- c. Professional standards and the threat of discipline
- d. Legislation establishing prohibitions and requirements for entities and employees
- e. Competency and experience requirements for professional licensure
- f. Professional resources, such as hotlines, for consultation on ethical issues

.20 Examples of *safeguards* implemented by the *employing organization* are as follows:

- a. A tone at the top emphasizing a commitment to fair financial reporting and compliance with applicable laws, rules, regulations, and corporate governance policies
- b. Policies and procedures addressing ethical conduct and compliance with laws, rules, and regulations
- c. Audit committee charter, including independent audit committee members

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- d. Internal policies and procedures requiring disclosure of identified interests or relationships among the *employing organization*, its directors or officers, and vendors, suppliers, or customers
- e. Internal policies and procedures related to purchasing controls
- f. Internal policies and procedures related to customer acceptance or credit limits
- g. Dissemination of corporate ethical compliance policies and procedures, including whistle-blower hotlines, the reporting structure, dispute resolution, or other similar policies, to promote compliance with laws, rules, regulations, and other professional requirements
- h. Human resource policies and procedures *safeguarding* against discrimination or harassment, such as those concerning a worker's religion, sexual orientation, gender, or disability
- i. Human resource policies and procedures stressing the hiring and retention of technically competent employees
- j. Policies and procedures for implementing and monitoring ethical policies
- k. Assigning sufficient staff with the necessary competencies to projects and other tasks
- l. Policies segregating personal assets from company assets
- m. Staff training on applicable laws, rules, and regulations
- n. Regular monitoring of internal policies and procedures
- o. A reporting structure whereby the internal auditor does not report to the financial reporting group
- p. Policies and procedures that do not allow an internal auditor to monitor areas where the internal auditor has operational or functional responsibilities
- q. Policies for promotion, rewards, and enforcement of a culture of high ethics and integrity
- r. Use of third-party resources for consultation as needed on significant matters of professional judgment

Public Accounting Safeguards

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

- a. Education and training requirements on independence and ethics rules
- b. Continuing education requirements on independence and ethics
- c. Professional standards and the threat of discipline
- d. External review of a *firm's* quality control system
- e. Legislation establishing prohibitions and requirements for a *firm* or a *firm's* professional employees
- f. Competency and experience requirements for professional licensure
- g. Professional resources, such as hotlines, for consultation on ethical issues

.22 Examples of *safeguards* implemented by the client that would operate in combination with other *safeguards* are as follows:

- a. The *client* has personnel with suitable skill, knowledge, or experience who make managerial decisions about the delivery of *professional services* and makes use of third-party resources for consultation as needed.
- b. The tone at the top emphasizes the *client's* commitment to fair financial reporting and compliance with the applicable laws, rules, regulations, and corporate governance policies.
- c. Policies and procedures are in place to achieve fair financial reporting and compliance with the applicable laws, rules, regulations, and corporate governance policies.
- d. Policies and procedures are in place to address ethical conduct.
- e. A governance structure, such as an active audit committee, is in place to ensure appropriate decision making, oversight, and communications regarding a *firm's* services.
- f. Policies are in place that bar the entity from hiring a *firm* to provide services that do not serve the public interest or that would cause the *firm's independence* or objectivity to be considered *impaired*.

.23 The following are examples of *safeguards* implemented by the firm:

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

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

The PLUS Ethical Decision-Making Model

While the Code offers CPAs a principles-based approach to ethics, there are other methodologies to assist in ethical decision-making. The Ethics & Compliance Initiative (ECI) is a best-practice community of organizations committed to creating and sustaining high quality ethics and compliance programs. ECI offers a seven-step decision-making model that can be leveraged by CPAs in assessing risks.

Step 1: Define the Problem

Defining the problem requires an individual to identify the issue at hand and investigate the difference between expectations or desired outcomes versus present conditions. It is important to identify the true problem and not a symptom of the problem.

Step 2: Seek Out Relevant Guidance

Individuals can look to professional guidance or internal and external policies to determine the best course of action.

Step 3: Identify Alternatives

Identifying alternatives requires the individual to formulate as many potential ways to solve the problem as possible. A larger number of answers can be identified by not just looking to the obvious answer, but keeping an open mind to all possibilities.

Step 4: Evaluate Alternatives

This step requires considering the pros and cons of the various alternatives. An individual must consider both the impact and its likelihood while carefully assessing each option.

Step 5: Make the Decision

Given the information identified in Step 4, here the individual selects the alternative that provides the best overall outcome.

Step 6: Implement the Decision

Decision-making and implementation are two different things. The key to implementing the decision is taking decisive action on the alternative selection.

Step 7: Evaluate the Decision

With any major decision, a feedback loop is very important. After implementation, Step 7 allows the individual to step back and determine how the alternative implemented ultimately fared. Making a decision without a lookback process does not allow the individual to consider how the alternative selected ultimately impacted the situation.

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ECI also offers a filter that can be used in steps 1, 4 and 7.

- **P** = Policies + Is it consistent with my organization's policies, procedures and guidelines?
- **L** = Legal + Is it acceptable under the applicable laws and regulations?
- **U** = Universal + Does it conform to the universal principles/values my organization has adopted?
- **S** = Self + Does it satisfy my personal definition of right, good and fair?

This decision-making model dovetails well with the threats-and-safeguards approach by allowing the CPA to think outside the box and consider alternatives as part of the ethics process. Use the PLUS model to work through these case studies.

Case Study: Golf Guest

You are the CFO of a small publicly traded company. The partner on your audit engagement asks you if you would like to be their guest at a major golf tournament. They have tickets and would love for you to join them. You would provide your own transportation and hotel accommodations.

Alternate Scenario 1: The partner informs you that not only does she have tickets for you, but the firm will also provide transportation and pay for your hotel while you are in town.

Alternate Scenario 2: The partner calls you again and tells you that the firm has booked a private jet to escort their most important clients to the tournament, plus a party bus to meet them at the airport. What's more, the day trip you were initially expecting is now a week-long soirée.

Discussion Questions:

- What are the ethical issues that must be considered in this scenario?
- How would the complimentary hotel and transportation change your thinking?
- How would the expansion of the gifts into a week-long party change your thinking?

Case Study: Eager Development

You are the CFO of a successful local nonprofit. While walking past a set of cubicles, you overhear someone in development making promises to a donor over the phone. He assures the donor that the nonprofit will honor any demands the donor has on a future contribution, no matter what. You can only hear part of the conversation and don't know which donor or potential donor is on the other end of the line.

Discussion Questions:

- What would you do in this scenario? What are the ethical considerations?

Case Study: When Those Three Initials Show Up at Your Door

You are the CFO of a mid-sized private company. After a very brief exchange with the receptionist, two FBI agents swiftly enter your office. The CEO is not reachable today. The agents calmly but very firmly inform you that they require a list of all your customers, their contact information and transaction history for the past 12 months. The issue is related to a matter of national security and they expect the information to be provided now.

Discussion Questions:

- What do you do next?

Case Study: Worthless Inventory

You are a newly hired accounting specialist with a company that manufactures a limited number of children's toys. Your flagship product was the "it" toy last Christmas, but sales have since fallen off dramatically. During a routine inventory check, you notice that you are not only overstocked, but much of the existing inventory is defective. A large percentage of the relatively few units that were sold last quarter were returned as damaged. It is clear that the inventory is nearly worthless. It turns out that your supervisor, the company controller, is aware of the situation and intentionally delaying any action. The company is struggling to stay afloat, but the production of a new product has commenced. With any luck, this product will be a big holiday hit. The resulting strong Q4 sales will help cushion the blow of the inventory write-down that eventually must take place. While you are still fairly new to the company, this explanation does not sit well.

Discussion Questions:

- What should you do?

Sources

AICPA Code of Professional Conduct.

<https://www.aicpa.org/research/standards/codeofconduct.html>

ECI PLUS Ethical Decision Making Model.

<https://www.ethics.org/resources/free-toolkit/decision-making-model/>

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CHAPTER II: Services to the Public Beyond Vocation

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Far too often, CPAs hesitate to provide services as volunteers, fearing a negative impact on their license status. In truth, these fears are often overblown, and in reality, many opportunities exist for CPAs to share their knowledge, skills and abilities with the world of nonprofits. Further, CPAs should view these service roles as opportunities to enhance their own skills and to expand their professional experiences and their personal networks. Such opportunities can also allow a retired CPA to continue to contribute to the profession and to the public.

Nonprofit organizations have long known that the skills and abilities of Virginia's CPAs are a valuable resource and that CPAs can also provide much-needed financial and accounting services. In many cases these organizations cannot afford to properly staff the administrative aspects of the entity and instead rely on volunteers for critical support.

Because CPAs are often called upon in these instances to provide assistance on a voluntary basis, the VBOA receives frequent inquiries regarding services that a CPA may and may not provide as a volunteer to a nonprofit entity. Consistent with the VBOA's mission of protecting and serving the public, the Board believes that CPAs can bring valuable knowledge, experience and insights as volunteers and therefore supports such involvement with nonprofit entities. The VBOA's website contains information intended to provide guidance to CPAs who in their role as volunteers may be asked to provide services which may fall under the Virginia accountancy statutes and regulations. The guidance, including a flowchart useful for decision-making in these situations, can be found at <http://www.boa.virginia.gov/Docs/VAEthics2012VolunteerServices.pdf>

The primary license-related fears that face a Virginia CPA holding an individual license are related to the services of attest, compilation and preparation of financial statements. Under Virginia law, the performance of these services normally requires a firm license, and providing attest or compilation services requires enrollment in peer review.

When a CPA in public practice provides services to any entity for compensation, whether the entity is a for-profit business, a government agency or a nonprofit entity, then clearly the "normal rules" apply. However, when a CPA is serving as a volunteer and in that volunteer capacity, is asked to provide attest, compilation or financial statement preparation services, a careful review of both Virginia law and professional standards is required because significant exclusions exist.

Virginia law defines the practice of public accounting to exclude situations in which the service "is provided by one or more owners, officers, employees, or members of the governing body of the entity or entities about whom the financial information is presented." (Virginia Code 54.1-4400 Definitions) Therefore, when a CPA serves as a volunteer board member or officer, that CPA will, in efforts related to that position, generally not be required to have a firm license, not be required to enroll in peer review and not be required to conform to technical standards of the profession.

In an attempt to overcome these licensing hurdles that CPAs assume (sometimes incorrectly) exist in volunteer opportunities, the CPA must ask two very important questions:

1. What service is to be provided?
2. In what capacity will the CPA be providing the service?

Non-CPAs do not necessarily define terms such as "audit," "review" or even "financial statement" in the same manner as those terms are defined in our professional standards.

For this reason, the facts underlying the request for volunteer services must be examined to determine the true nature of the service.

For instance, if a charity requested a CPA to complete a form that is entitled “Audit Checklist,” the CPA may discover upon review of the form that the steps outlined on the form do not resemble anything close to an “audit” as that term is defined by auditing standards. For example, the charity may simply be asking that the CPA reconcile beginning and/or ending cash balances to previously issued monthly reports. That procedure would constitute accounting services, but would not constitute an audit. The individual CPA can sign a statement related to the activities undertaken, but should exercise care to avoid using the CPA designation in such a statement. In this situation, the CPA would not need a firm license.

When a CPA is asked to volunteer, the actual role or position in which the CPA will be serving is very important, due to the exclusion in Virginia law allowed to officers and governing board members, as discussed previously.

Also, the CPA has to consider if he or she is being engaged to perform a service or whether the CPA is simply a part of a group performing a service. For example, a CPA may be asked to serve as a member of an “audit committee” which then examines the financial records and issues a report indicating they “found nothing out of the ordinary.” In this case, regardless of the nature of the work undertaken or its “findings” as reported, the individual CPA is not “engaged” to perform an audit. In reality, the group was engaged to perform various auditing-type procedures, but the individual CPA was not engaged, but rather simply part of a group activity. The individual CPA can, along with other members of the audit committee, sign a statement related to the committee’s activities, but should exercise care to avoid using the CPA designation in such a statement. In this situation, the CPA would not need a firm license.

Real-Life Scenarios

This course attempts in a series of slides to outline several specific examples. CPAs should keep in mind that while the examples are designed to be broadly applicable, the specific facts and circumstances always govern any situation. The goal is to use these examples to allow the CPA to volunteer and support nonprofit entities if the CPA desires. While the slide presentation for 2019 attempts to focus on what CPAs “can do,” the following three specific categories of services are provided as supplemental information.

Attest Services as a Volunteer

If the CPA is serving as a volunteer officer or governing board member of a nonprofit entity, then no audit, review or other attest engagements could be performed by the CPA (as those services are defined by professional standards), since these services require independence.

If the CPA is serving solely as a volunteer “worker” for a nonprofit entity, then audit, review or other attest engagements could be performed by the CPA, if and only if the CPA in his or her professional judgment could establish that independence exists in accordance with professional standards. These services would require that the CPA have a firm license and be enrolled in peer review. All work performed would be required to comply with the profession’s technical standards.

These same facts would apply if a CPA who was otherwise employed in, for instance, business or industry, agreed to “volunteer” to audit the nonprofit entity’s records.

CHAPTER II: Services to the Public Beyond Vocation

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Compilation Services as a Volunteer

While serving as a volunteer officer or governing board member, a compilation could be performed on a volunteer basis. For this service independence is not required, but proper disclosure of the lack of independence in this situation would be required. A firm license and enrollment in peer review would not be required and the work would not be required to meet the profession's technical standards.

Likewise, if the CPA is serving solely as a volunteer "worker" for a nonprofit entity, a compilation could be performed on a volunteer basis. Independence is not required, but proper disclosure of the lack of independence (if that is judged by the CPA to be the case) would be required, along with a firm license and enrollment in peer review. All work performed would be required to comply with the profession's technical standards.

Financial Statement Preparation Services as a Volunteer

While serving as a volunteer officer or governing board member, a CPA could prepare the entity's financial statements. However, to avoid any misperception, it is recommended that the financial statements clearly indicate that no assurance is provided on them. A firm license would not be required, nor would the CPA be required to enroll in peer review. The work would be not required to meet the profession's technical standards.

If the CPA is serving solely as a volunteer "worker" for a nonprofit entity, then preparation of the entity's financial statements would require that the CPA clearly indicate that no assurance is provided on them. The CPA would need a firm license, but enrollment in peer review would not be required. All work performed would be required to comply with the profession's technical standards.

Sources

Virginia Board of Accountancy. www.boa.virginia.gov

Code of Virginia. <https://law.lis.virginia.gov/vacode/title54.1/chapter44/>

Statement on Standards for Accounting and Review Services (SSARS) No. 21. American Institute of Certified Public Accountants, Inc., October 2014

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CHAPTER III: Update on Rules and Regulations

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June 30 Single License Renewal Date for all Licensees

All Virginia CPAs must renew their individual and firm licenses annually. The VBOA is moving to a single renewal date of June 30 each year for all CPA licensees. "Individual and firm CPA licenses expire on June 30 and may be renewed up to 90 days prior to expiration. The non-refundable renewal fee is \$60 for individual licenses and \$75 for firm licenses.

For licenses expiring July 2018 through March 2019, the renewal fee is prorated. The adjusted renewal fee listed below is based on the original expiration date.

Licensees whose licenses expire March 31, 2019, will pay \$15 (\$18 for firms) to renew through June 30, 2019. Beginning with licenses expiring April 30, 2019, renewals will cost \$60 (individual) and \$75 (firm) and go through June 30, 2020.

Upon renewal and moving forward, the expiration date will now be June 30 for subsequent years for all licenses, with renewal costing \$60 per year for individual licenses and \$75 per year for firm licenses.

No Late Renewals or Fees

There is no additional 12-month period to renew the license. Non-renewed licenses will automatically go into Expired status the day after the renewal is due. When a license expires, the licensee cannot use the CPA title. Once a license goes into Expired status, it will be the responsibility of the licensee to reinstate the license. There is a non-refundable reinstatement fee of \$350 for individual licenses and \$500 for firm licenses.

The VBOA transmits renewal notices approximately 30–60 days prior to expiration of the license and approximately 15 days prior to expiration. In accordance with Board regulation [18VAC5-22-170C](#), the VBOA transmits license renewal notices electronically unless a licensee is unable to communicate electronically (in which case a notice will be sent via USPS). However, [18VAC5-22-170C](#) of the Code of Virginia, places the responsibility for renewing a Virginia license on its holder, and that responsibility is not affected by whether the holder receives a license renewal notice.

New Renewal Date: No Impact on CPE

Pursuant to Code of Virginia § 54.1-4409.2 and § 54.1-4413.2, an individual who applies for an initial license, holds a Virginia individual CPA license, or applies to have their license reinstated is required to obtain CPE. The deadline for obtaining CPE for the previous year is Jan. 31.

CPE requirements are as follows:

Licensure status	Calendar year (CY)	Total hours required	Minimum hours required	Virginia-Specific Ethics (included in total hours)	CPE related to attest, compilation, or financial statement preparation services (included in total hours)
Applying for initial license					
The candidate has passed CPA exam and applies for licensure	CY of licensure	0 hours	0 hours	N/A	N/A
	1st CY after exam	40 hours	40 hours	2 hours	N/A
	2nd CY after exam	80 hours	80 hours	2 hours	N/A
	3rd CY (or more) after exam	120 hours	120 hours	2 hours	N/A
Licensed					
Licensee who has not been granted exemption or waiver by the VBOA	Any 3-CY reporting cycle	120 hours/ 3 years	20 hours	2 hours	8 hours (only if releasing or authorizing release of reports)
Reinstatement of license					
The applicant submits reinstatement application	Current CY	120 hours/ 3 years	120 hours/ 3 years	2 hours	N/A

Case Study: The Math for Matt

Matt Walker, CPA, has been actively licensed in Virginia since October 2007. He is currently planning his CPE for 2019 and is concerned that he takes the proper number of hours.

What is the total number of hours that Matt needs to take in 2019?

CHAPTER III: Update on Rules and Regulations

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Snapshot of Virginia

Virginia Board of Accountancy Licensee Statistics

As of year end 12/31/2018

INDIVIDUALS	
Number of Active, licensed CPAs	26,614
Number of Active — CPE Exempt, licensed CPAs (a)	1,677
Number of Active — Renewal Fee Delinquent (<12 months), licensed CPAs	0
Number of out-of-state licensees	8,478
Reinstatements — Individuals	162
Number of new CPA licenses issued	1,097
FIRMS	
Number of Active, licensed CPA firms	1,169
Number of Active — Renewal Fee Delinquent (<12 months), licensed CPA firms	0
Reinstatements — Firms	8
Number of new CPA firm licenses issued	57
EXAM CANDIDATES	
Number of first-time candidates applying to sit for CPA exam	1,720
ENFORCEMENT	
Number of complaints	62
Types of complaints:	
• Unlicensed activity	12
• Other disciplinary matters	50
CPE AUDITS	
Number of CPE audits selected	2,435
Status of CPE Audits:	
• Number of CPE audits resulting in compliance	1,701
• Number of CPE audit deficiencies	316
- Number of CPE audit deficiencies resulting in surrender of license	28
- Number of CPE audit deficiencies resulting in suspension of license	26
• Number of CPE audits open/pending review	396

Discussion: CPE and You

Why do you think Virginia CPAs take CPE?

Your initial response to this question might be that the VBOA requires it. However, upon further evaluation, it's clear that the reasons for taking CPE extend well beyond mere compliance requirements. CPAs are known for their honesty, integrity, objectivity, professionalism and the rigorous educational standards required to obtain and retain the credential. Because of this, CPAs have earned their reputation as preeminent trusted advisors. CPAs must remain vigilant to prevent the weakening of this reputation, and that work is never finished. One of the most important ways to maintain the credibility of the profession is to ensure that CPAs remain up to date on the latest rules and regulations and continue to develop themselves professionally and ethically, and CPE is a major driver of that effort. The CPA profession is committed to lifelong learning.

When you take CPE, do you feel that you are actively engaging with the material being provided? Are you paying attention, participating in discussion, and receiving the intended benefits of the education?

When CPAs recognize that they are upholding the reputation of the profession by taking CPE, it becomes clear that the relevance of the CPE chosen and the level of engagement with the material are of significant importance. CPAs must ensure that they are not merely complying with a Board requirement but receiving the educational and professional benefits that CPE is intended to provide.

What CPE delivery formats do you prefer? What are the pros and cons of the different delivery formats? Can certain delivery formats be combined with other efforts such as networking or volunteering to help you further move beyond mere CPE compliance?

CPE that provides course content pertinent to the profession and assists the licensee in becoming a better accounting professional can be obtained through a variety of forums, including:

- Attending a seminar or educational conference
- Earning course credit at an accredited college or university
- Completing a course through nano-learning or incremental CPE
- Completing a self-study course
- Making a presentation
- Producing written materials
- CPE credit for certifications/exams/licensures.

How do you prefer to schedule your CPE? Do you find that you take the same CPE every year? Do you find yourself scrambling at the end of the year to complete your CPE?

The VBOA uses a rolling three-calendar-year period to determine CPE compliance. In any three-calendar-year reporting cycle, a CPA must have obtained 120 hours of CPE with a minimum of 20 hours per calendar year, including the Virginia-specific Ethics course.

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CHAPTER III: Update on Rules and Regulations

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CPE Documentation Requirements

Required CPE documentation includes:

- Certificates of completion from the CPE sponsor(s) including the sponsor(s) name, participant's name, course/content name, date taken, and CPE hours earned when attending a seminar, educational conference or completing a self-study course.
- Official transcript of the college or university for earning course credit at an accredited institution.
- Syllabus/agenda and signed statement indicating the length of the presentation when making a presentation.
- Copy of published article, book or written material (or proof of publication) when producing written material used by individuals who provide services to the public or to or on behalf of an employer.
- The VBOA has restrictions on the types of documentation it regards as acceptable. The VBOA will not accept receipts, registration confirmations, cancelled checks, outlines, PowerPoint presentations or sign-in sheets, etc., as valid CPE documentation.

The VBOA will determine on a case-by-case basis whether other forums are acceptable for CPE credit. The VBOA may also request additional documentation to support compliance.

Retention Requirements for CPE Documentation

Licenses must retain CPE documentation for the four calendar-years preceding the current calendar-year.

Active – CPE Exempt Status

The VBOA does not recognize a separate “retired” status or an “inactive” status. Any individual who is approved for the Active — CPE Exempt status will be currently and actively licensed as a CPA and may use the CPA title. However, the individual may not provide services to the public or to or on behalf of an employer that require a substantial use of accounting, financial, tax or other relevant skills (as determined by the VBOA), including on a volunteer basis, and therefore is not required to meet the VBOA’s CPE requirements. It is important to note that many other states do not have the equivalent of the Active — CPE Exempt status. Therefore, CPAs with licenses in other states are encouraged to contact any other applicable state boards of accountancy to discuss any implications of being approved for this status.

The following are examples of jobs that generally qualify for the status and some that do not qualify for the status. However, job titles are not always indicative of approval or denial of status. Each application is reviewed on the individual, specific facts and circumstances.

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Examples	
<p>Generally qualify for Active — CPE Exempt</p> <ul style="list-style-type: none"> • Retired • Not employed • Missionary • Teacher (non-accounting) • Medical doctor • Stay-at-home parent • President/CEO of large company 	<p>Do not qualify for Active — CPE Exempt</p> <ul style="list-style-type: none"> • Chief financial officer (CFO) <ul style="list-style-type: none"> • Tax attorney • Director of finance • Comptroller/Controller <ul style="list-style-type: none"> • Accountant • Budget analyst/Manager • Accounting professor

According to Board regulation 18VAC5-22-40, "...holding a Virginia license constitutes using the CPA title." Therefore, not explicitly using the CPA title does not automatically exempt a licensee from CPE requirements. "A licensee can only be approved by the VBOA for the Active — CPE Exempt status if he or she is not currently providing services to the public or to or on behalf of an employer as outlined above."

To apply for the Active — CPE Exempt status, complete the [Change of License Status Request Form: Active to Active — CPE Exempt](#) (PDF) and email, fax or mail the form, along with a copy of your job description, to the VBOA office.

A CPA must be pre-approved for the Active — CPE Exempt status to be exempt from CPE requirements. The Board is seeing many licensees attempt to apply for this status only when they have been selected for a CPE audit. If the CPA has not been approved for the Active — CPE Exempt status at the time of CPE audit selection and notification, they are responsible for meeting the VBOA's CPE requirements.

The VBOA believes educators at the college level who teach accounting, finance or tax do require the substantial use, or knowledge, of this subject matter in order to teach. Next to individuals in public accounting, educators of these subjects have the largest potential impact on the accounting and CPA profession. Educators must be committed to lifelong learning.

Therefore, by holding a CPA license, such educators are expected to and must meet the VBOA's CPE requirements. By law, it is not required to hold a CPA license to teach these courses, but those that do must obtain the required hours of CPE.

For questions regarding status qualifications, please contact the VBOA directly at (804) 367-8505.

<http://www.boa.virginia.gov/CPALicense/CPERequirements.shtml>

CHAPTER IV: Changes to the AICPA Code of Professional Conduct

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The AICPA's Professional Ethics Executive Committee (PEEC) is responsible for insuring that the Code is up to date. While the Code was refreshed in 2014, PEEC maintains an active agenda looking at potential issues that could impact ethics and independence. Using due process, PEEC issues exposure drafts of changes, and finalized interpretations are posted in the Journal of Accountancy. It is important to check the Journal for changes on a regular basis. Exposure drafts are posted on the AICPA's website at <https://www.aicpa.org/interestareas/professionalethics/community/exposedrafts.html>.

Hosting (ET 1.295.143)

Effective July 1, 2019 (original effective date Sept. 1, 2018)

When they hear the term hosting, many CPAs think of software as a service. The definition in the Code, however, is very different. Hosting is defined as a nonattest service that involves:

“a member accepting responsibility for the following:

- a. Acting as the sole host of a financial or non-financial information system of an attest client
- b. Taking custody of or storing an attest client's data or records whereby, that data or records are available only to the attest client from the member, such that the attest client's data or records are otherwise incomplete
- c. Providing electronic security or back-up services for an attest client's data or records”

At first glance, this situation might not appear to be commonplace. However, when looking at examples of hosting, it is clear that many firms, large and small, do offer services that meet the definition of hosting.

One of the more common hosting examples is:

“Keeping the attest client's data or records on the attest client's behalf, for example, the attest client's general ledger information, supporting schedules (such as, depreciation or amortization schedules), lease agreements or other legal documents are stored on the member's firm's servers or servers licensed by the member's firm or the member is responsible for storing hard copy versions of the data or records.”

Therefore, if a firm prepares the depreciation schedule for their client and then only provides the journal entry for depreciation, this is deemed to be hosting. As a result, the CPA would not be independent of their audit client. As hosting is a nonattest service, there is no safeguard that can be used to overcome an independence issue resulting from hosting. Hosting creates a situation where the CPA is the internal control structure for the entity, which is deemed to be management participation.

In order to avoid hosting, the AICPA offers a few different options:

1. Provide the attest client with both the depreciation schedule AND supporting calculation so that client's books and records are complete.
2. Have the client engage a third-party service provider to maintain its software in a cloud-based solution and grant their CPA access to the software.
3. Have both the CPA and client maintain separate instances of the software on their respective servers.

Portals are also another area where the CPA may be hosting information. To avoid being the sole owner of the information provided via the portal, the CPA would need to terminate access to the data or records in the portal within a reasonable period of time following the conclusion of the engagement. Many firms eliminate access to the data after it has been downloaded to comply with this standard.

Knowing Misrepresentations in the Preparation and Presentation of Information (ET 2.130.010)

In 2017, the AICPA updated the Code sections related to false presentation. This section was formerly known as “Knowing Misrepresentations in the Preparation of Financial Statements or Records.” As evidenced by the name change, the new standard is broader and encompasses the preparation of information much more extensive than just financial statements. The standard now encompasses preparation of operating and performance reports, decision support analyses, budgets and forecasts, and risk analysis.

According to the Integrity and Objectivity Rule, CPAs are required to provide all data in an unbiased way, whether it be for financial statements or any other information that is being prepared (for internal or external use). The information prepared should not be misleading. The objectives of the statement require completeness, accuracy, clarity and proper classification.

While financial statements have financial reporting frameworks to comply with, other information may not have a framework. As a result, the CPA must use his or her professional judgment while considering the purpose of the information, context that is being provided, and intended audience. Estimates, assumptions and budgets are held to the same ethics rules regarding knowing misrepresentation as the financial statements.

If a CPA is associated with information that is misleading, he or she should take steps to ensure that the information is corrected. After exhausting all options to update the information, if the CPA cannot ensure the information is correct, he or she should refuse to be associated with the information. While resigning is always acceptable under the standard, resignation may not relieve the CPA of their responsibilities, which may include disclosing knowledge of the misrepresentation to third parties such as the external auditor or regulatory authorities.

Pressure to Breach the Rules (2.170.010)

A new interpretation added to the Code addresses pressures to breach the rules. The interpretation, aimed at professionals working in corporate finance, identifies a variety of pressures ranging from pressures related to conflicts of interest and pressures related to financial interests to pressures related to influencing the presentation of information and pressure to act without sufficient competence or due care that could cause a breach of the Integrity and Objectivity rule. The interpretation provides safeguards that can be utilized to reduce the related threats, including disclosing the matter in accordance with the employing organization’s policies (e.g. calling a whistleblower hotline) and consulting with legal counsel. If the CPA determines that the safeguards would not reduce the threat to an acceptable level, the Code indicates that the CPA should stop the activity that could result in a breach and consider whether the employer is the right organization to work for. While documentation is something auditors and those

CHAPTER IV: Changes to the AICPA Code of Professional Conduct

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in public practice are very familiar with, the ethics code now includes documentation considerations for those in industry. The documentation should include the facts and circumstances, any communication made (including who was communicated with), and, ultimately, how the matter was addressed.

Definition of a Client (0.400.07)

One of the more significant recent definition changes to the Code was the change in the definition of a client.

The prior definition was:

“Any person or entity, other than the member’s employer, that engages a member or member’s firm to perform professional services and if different, the person or entity with respect to which professional services are performed. For purposes of this definition, the term employer does not include the following:

1. Person or entity engaged in public practice.
2. Federal, state, and local government or component unit thereof, provided that the member performing professional services with respect to the entity is
 - i. directly elected by voters of the government or component unit thereof with respect to which professional services are performed;
 - ii. an individual who is (1) appointed by a legislative body and (2) subject to removal by a legislative body;
 - iii. or appointed by someone other than the legislative body, so long as the appointment is confirmed by the legislative body and removal is subject to oversight or approval by the legislative body.”

It is now updated to state that the definition of a client is:

“Any person or entity, other than the member’s employer that engages a member or member’s firm to perform professional services (engaging entity) and also, a person or entity with respect to which a member or member’s firm performs professional services (subject entity). When the engaging entity and the subject entity are different, while there is only one engagement, they are separate clients.”

The term “attest client” was also updated to reflect changes for affiliate requirements. As a result of these two changes, many sections of the Code were updated with minor technical edits to ensure proper terminology.

Record Requests (1.400.200)

This interpretation was updated to include a section on applicability aimed at helping CPAs understand who is deemed to be the entity subject to the record request interpretation. When someone engages a CPA to perform a service, but the beneficiary of the service is another entity/person, documents must be returned to the beneficiary of the service. If an engaging entity engages a CPA to perform a service with respect to or for the benefit of another entity, the CPA should return any documents to the entity/person that originally gave them the documents. Finally, when the engaging entity hires a CPA to perform a service with respect to another entity (but that second entity is NOT

the beneficiary), unless otherwise stated, the CPA should return work products to the engaging entity.

The interpretation regarding record requests was otherwise unchanged.

Disclosing Information to Clients (1.700.030)

Originally, this interpretation only applied to husband-wife scenarios and a tax return. However, it was broadened to address any relationship where the engaging entity is engaging the CPA to perform services for the benefit of another entity. Both parties (the engaging entity and the beneficiary) are each considered to be separate clients in this scenario. For example, if a manufacturing client hires its CPA to prepare the tax return for the CFO, then both the CFO and the manufacturing firm are deemed to be clients. As a result, the CPA could not disclose confidential information about the CFO's taxes to the manufacturing client without the CFO's permission.

Long Association of Senior Personnel on the Engagement Team

While many CPA firms cherish their long-established clients, the AICPA has included two FAQs in the Code to answer questions about the impact on independence associated with these long associations. The second question addresses actions to be taken by the CPA firm to reduce the threat to an acceptable level in order to continue the client relationship.

“Question 2: Can the firm still perform the attest engagement if it has been determined that there is a significant familiarity threat to the “Independence Rule” because one or more senior personnel has served on the attest engagement team for a long period of time?

Answer 2: Yes, the firm may still be able to perform the attest engagement, if safeguards can be applied to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards may include the following (this list is not all inclusive):

- a. Changing the role of the senior personnel on the attest engagement team or the nature and extent of the tasks the senior personnel performs
- b. Having a professional accountant who was not included in the attest engagement team review the work of the senior personnel
- c. Performing an independent internal or an external quality review of the attest engagement
- d. Rotating the senior personnel off the attest engagement team for an appropriate period based on the significance of the threats

If there are no safeguards that could be applied that would eliminate the threat or reduce it to an acceptable level, then independence will be impaired.

When the member applies safeguards to eliminate or reduce significant threats to an acceptable level, the member should document the identified threats and safeguards applied.”

As a result, audit firms that have long-established clients should ensure proper documentation regarding threats and safeguards.

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CHAPTER IV: Changes to the AICPA Code of Professional Conduct

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The recent changes to the Code of Professional Conduct illustrate how the role of the CPA has continued to expand. CPAs are being asked to be more involved in company operations and take responsibility for increasing amounts of company information. In many ways, the CPA has moved from only being involved in the financial decisions of a company to taking responsibility for the integrity of all types of information being produced by a company.

This case study illustrates additional challenges that come with this expanding role. In the midst of increasing business pressure, maintaining overall data integrity in all types of reporting, not just financial statements, can be difficult.

Case Study: Unbiased Data Reporting

John Smith, CPA, is the Controller for a new startup, ABC Company. Management is preparing for an important meeting with some potential investors. Without additional funding, it is likely that ABC will be out of business within the next two years. While the investors are excited about ABC's new products, they are concerned about customer perception of the company and its strategic placement in the market. They have asked ABC to share with them some customer data in order to help them make their decision.

John has been tasked with compiling the customer data for this meeting. He puts together a line graph showing customer sales over the last three years. While the company sales had been mostly flat over the time period, the last quarter had shown a small increase. When he shows the data to the CFO, Jane Johnson, she asks him to adjust the scaling on the vertical axis of the line graph, so that the higher numbers have half an inch between them and the lower numbers have only a quarter of an inch between them. When he does this, John can't help but notice the emphasis on the last quarter's increase. It now looks like a sharp increase in customer sales, even though the numbers are still the same. When John asks Jane about this, she becomes exasperated and asks him, "Are the numbers the same? If so, then what is the problem?"

Discussion Questions:

- If the numbers are the same after the change, is there an ethical issue for John?
- How should John address Jane's comments?
- How can the conceptual framework help inform John of his ethical responsibilities in this matter?
- What are a CPA's responsibilities when it comes to presenting financial statements and data? What are the key components of fair presentation when it comes to data?
- Companies often engage in data scrubbing in order to get rid of outlying data points. What are some best practices for making sure that data is still unbiased after data scrubbing?
- What are some best practices that CPAs can follow in order to ensure unbiased data reporting?

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CHAPTER V: Staying on the Ethical Course

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While many ethical dilemmas are dealt with in the AICPA Code of Professional Conduct and Virginia's statutes and regulations, other emerging issues are just as critical to the decisions you make. This chapter discusses some of the issues CPAs may encounter regarding communications, social media and data security.

Ethical Communication and Mediation

No matter the industry, communication is integral to the success of a company. Good communication can help a workforce to be more efficient in completing tasks, be more open to growth opportunities, and care more about the company and the people in it. While it is difficult to measure the impact of good communication, a recent article by the Society of Human Resource Management (SHRM) cited that companies lose approximately \$62.4 million per year because of inadequate communication to and between employees. The same article cited about \$420,000 per year lost by companies due to email blunders (Buhler & Worden, 2013). Regardless of the actual dollar amounts involved, it seems clear that poor communication can be costly.

While some communications can be chalked up to not understanding the actual words, other communication breakdowns may be due to a lack of integrity in the words themselves. A recent article in *Forbes* cited a national survey in which 80 percent of managers claimed to be transparent with their teams, but just 55 percent of employees actually agreed (Rogers, 2018). If an employee doubts the person speaking the words, communication failure seems almost inevitable. If one wants to improve communication in the workplace, one must build trust. One must create a workplace where others believe in what he or she says and does.

Ethical communication is the key to building workplace integrity. It necessarily involves honesty and congruent words and actions. It requires openness, vulnerability and doing what one says. Unethical communication involves saying whatever is easiest in the moment. It involves saying one thing but doing something else. While ethical communication takes responsibility, unethical communication passes the blame. Ethical communication builds trust, while unethical communication creates doubt and fosters an environment where each individual simply looks out for his or herself.

While it is easy to practice ethical communication when times are good, it is often in difficult times when ethical communication is needed the most. For example, when two employees are at odds with each other, it is difficult to maintain open and honest dialogue. How a leader communicates with those employees at that time can often mean the difference between a team that grows and thrives and one that becomes splintered and distrustful. SHRM suggests practicing the following techniques during the mediation process, in order to transform a team and achieve a successful outcome (Taken from Hanley, 2010):

1. **Reflecting:** Capture the content and tone of an individual's words: "You're upset that Ed hasn't been handling his part of the project." The employee has a sense of being heard, and the repetition reinforces the comments for both disputants to understand. A reflection also can draw out an unspoken reaction: "Don, you were frowning. Do you disagree?"
2. **Summarizing:** Encapsulate several points made throughout the exchange by one or both parties: "Ed, you seem frustrated because the project has fallen behind,

and Don, you feel the timetable was unrealistic.” This technique provides a recap and helps keep the parties focused on the issues. Summarizing also can emphasize common areas: “You both agree it was a complex project.” Or, it can highlight differences: “Don, you think responsibilities were clear. Ed, you indicated that there were no defined roles.

3. **Questioning:** Ask open-ended questions to promote clarification or elaboration: “What do you want Don to understand?” Or, to both parties: “How would you like to see this resolved?”
4. **Checking in:** Inquire about status when the discussion appears to be nearing a stage of decision or impasse: “Have you discussed this point fully?” Checking in also can be used to gauge the value of the meeting: “Has this been helpful?”
5. **Caucusing:** Talk to one of the individuals alone when encountering a hardened position or reluctance to communicate with the other disputant.

Practicing such techniques should facilitate open conversation between the two parties with the overall goal of building trust between the mediator and the parties. However, this should not prevent the mediator from drawing clear guidelines for the communication. For example, the mediator should say at the outset that practices that infringe on other employee’s rights or company rules or guidelines will not be tolerated. Part of ethical communication is transparency, which necessarily involves clearly stating expectations.

Finally, any action items resulting from mediation should be done within the timeframes discussed. If mediation is to be transformative and build trust, one must exemplify a willingness to do what one says. If done well though, mediation that utilizes ethical communication can help a team grow closer and achieve more.

Discussion Questions:

- Name a time when practicing ethical communication helped you in a difficult workplace or client situation. How did it turn out?
- How do you build an ethical culture within a company?
- How does communication impact culture?
- How do you build trust with another person?

Sources

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CHAPTER V: Staying on the Ethical Course

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Social Media and Fraud

Last year's Ethics course included a section on how important it is for CPAs to maintain an ethical, professional online presence. In a world where personal and business online lives are often intertwined, CPAs should constantly be aware of how they appear to society. While the Code does not explicitly address a CPA's online presence, it does say that CPAs should not do anything to compromise the value of the CPA credential. If a CPA believes that he or she represents the accounting profession in everything that he or she does, it would follow that maintaining a clean online presence is a necessity for any CPA. This would seem to include not only being careful about what one posts online, but also doing things necessary to protect one's online presence from hackers and scammers.

However, protecting one's online presence has become increasingly difficult. Facebook and LinkedIn may have seemed like safe websites in the past, yet 2018 has provided reminders of how pervasive the problems of identity theft and fraud really are, and how social media contributes. These are particularly important issues for CPAs because of the many connections that CPAs normally have with people. For instance, if a scammer were able to steal the identity of a CPA on Facebook, he or she might now have access to details about the lives of vendors, clients and colleagues. This would then make these groups vulnerable to potential fraud as well. To steal a CPA's identity may indeed open the door to additional information on hundreds or thousands of other people. While this may not be the direct fault of the CPA, it may hurt the trust placed in him or her by these groups.

Perhaps even more disconcerting is that scams continue to become more elaborate. According to IBM Security Intelligence, the seven biggest social media scams in 2018 are the following (Goodchild, 2018):

1. **Catfishing:** Catfishing occurs when a cybercriminal creates a fake online profile to trick a victim into a fictitious online relationship, usually to get money or other benefits from the victim.
2. **Profile Hijacking:** Profile hijacking can either be breaking into another person's profile and changing the password or creating a fake profile for the purpose of getting access to the target's social network (like on LinkedIn).
3. **Lottery Schemes:** These scams take many forms, but they all promise a large prize which is not obtainable unless the victim sends information or money.
4. **Quizzes That Mine Your Information:** Goodchild (2018) says "the Better Business Bureau (BBB) warns that some quizzes are designed to steal your data in an outright scam. Oftentimes, cybercriminals will include links embedded in the quiz that can steal information from your personal accounts. Once these criminals have your account information, they can use it to lure in other unsuspecting victims, including your friends."
5. **URL-Shortening Cons:** This involves clicking on URLs that are shorter versions of legitimate websites. The shortened URLs redirect websites that steal information.
6. **Chain Message Hoaxes:** While chain message hoaxes are not new, they are taking a more elaborate form now — for example, telling Snapchat users that their "memories (i.e., saved photos) will be deleted unless you copy the message and share it with your friends."

7. **Money-Flipping:** These are scams where the cybercriminal convinces the victim to make a fictitious investment.

Two variations on phishing scams have been highlighted in recent issues of the *Journal of Accountancy*. In one version, scammers posed as an executive or someone in leadership, often using email addresses that were very close to the actual user's email. First example, many companies use email conventions like first.last@abccompany.com. If the executive's name is John Smith, a scammer might utilize an email address like jsmith@abccompany.com or something similar to send an urgent request to transfer money. If an unsuspecting employee in accounting reads the email address too quickly, he/she may unwittingly transfer money to the scammer. A similar scam involved scammers posing as recruiters or other company officials in charge of hiring. Thinking that they were talking to a potential new employer, job applicants would unwittingly send personal information, banking information, or even sometimes a deposit for "training materials." These scams prey on victims implicitly wanting to please those in-charge. Without careful attention to detail, these victims literally give their identity away to the scammer.

It is important for CPAs to be aware of these scams and to exercise skepticism when evaluating who they give information to and who they let into their social circles online. In a recent article that appeared in *Forbes*, this was one of five tips given to curtail instances of social media fraud (Bauman, 2017):

1. Vet your social circle
2. Do not give out personal information
3. Improve and don't reuse passwords
4. Update your privacy settings
5. Understand the agreements you enter online

All of these tips call for CPAs to adopt a cautious, protective attitude when it comes to their online presence. By being more conscious of what they do online, CPAs can help protect their own personal information and that of their clients.

Discussion Questions:

- What are some qualities of a social media profile that reflect well on the profession? What about ones that reflect poorly on the profession?
- Do you know anyone who has been victimized by social media fraud? What happened? How was it resolved?
- Are there any best practices that you (or your firm) utilize when it comes to social media and protecting your online presence?

Sources

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CHAPTER V: Staying on the Ethical Course

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Cybersecurity

Data security is at the forefront of the business world. With companies such as Facebook, Under Armour, Panera Bread and many others making headlines for data breaches in 2018 alone, it seems as though no one is safe and no one has the answers. For CPAs, this issue is particularly troubling, as they are often perceived to be the risk watchdogs for an organization. In a recent CGMA study, 95 percent of respondents stated that they were concerned with the threat of database breaches, distributed denial of service (DDoS) attacks, phishing scams and other cyberattacks. Of those same respondents, 30 percent said that they had fallen victim to a cyberattack in the last two years (22 percent in 2014). In response, 72 percent of the sampled companies had asked their finance function to take more responsibility to mitigate these risks (Krahenbuhl, 2015). In many ways, the role of the accountant has evolved from the basic responsibilities of preparing journal entries and financial statements to protecting data and facilitating data management for the organization. Perhaps this is only natural considering that the accounting profession has always had an ethical obligation to protect the public interest, making information protection a natural concern for CPAs.

What Is the Industry Doing?

While some CPAs may feel uncomfortable in embracing this new role, there seems to be no doubt that the public is asking those within the industry to step up. The U.S. Securities and Exchange Commission (SEC) has said “the accounting profession’s experience with integrating data, reporting and assurance puts CPAs in a unique position to assist organizations as they address their cybersecurity concerns” (Hyde, 2016). Similarly, in a July 2016 article, AICPA President & CEO Barry Melancon, CPA, said that this demand to be more involved in cyber security initiatives “is driven by market forces, not a government mandate. And the market is asking us to do more, from both the advisory and assurance perspectives” (Hyde, 2016). He also stated that the issue was a concern for all CPAs in all types and sizes of entities, both public and private.

In response, the AICPA has taken on several initiatives, including developing education in the area of cybersecurity and watching for new legislation in Washington. In 2017, they also developed the new System and Organization Controls (SOC) for Cybersecurity engagement to address cybersecurity concerns. This new engagement is appropriate for nearly any organization and is based on the AICPA cybersecurity risk management reporting framework. The framework is based on the following three components:

- Description Criteria for Management's Description of an Entity's Cybersecurity Risk Management Reporting Program
- 2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality and Privacy
- AICPA Guide: Reporting on an Entity's Cybersecurity Risk Management Program and Controls

The CPA reports specifically on an organization's cybersecurity risk management program with the following goals in mind:

- Helping to reduce uncertainty and build resilient organizations by evaluating effectiveness of existing cybersecurity processes and controls
- Permitting flexibility by not constraining management to a particular security management framework or control framework

The engagement results in a general-use report on whether the description of an entity's cybersecurity risk management program is presented in accordance with description criteria and the controls within that program were effective in achieving the entity's cybersecurity objectives.

What Ethical Challenges Do CPAs Face Regarding Cybersecurity?

This push to be leaders in the area of cybersecurity presents CPAs with some unique ethical challenges. Since this is still a developing area of the CPA profession, CPAs must use professional judgment when dealing with issues of data and technology.

While no CPA really disputes the importance of cybersecurity to the well-being of an organization, a key role of finance is also to help organizations make sound financial decisions. Preventative measures in cyber security are in high-demand and may not be easy or cheap to implement. Hiring database managers and other experts to help with the day-to-day demands of protecting customer, vendor and employee information can be costly as well. The question is not whether or not cybersecurity is important to an organization, but rather how much companies should be spending on preventative measures. Is there a price tag to be put on the protection of data? If so, what is it?

Another closely related idea is the effects of good security measures on workflow. Preventative measures such as encrypting laptops, requiring approvals for data access, and monitoring software may slow down system processing times and employees' ability to do their day-to-day tasks. Certainly, some security measures are necessary, but which ones? Is there a point where protection of data prevents companies from doing business?

Finally, organizations have become more keenly aware of the value of data. The power of predictive analytics has shown that data may be arguably more important to a company than an immediate sale. All things being equal, most companies would prefer to know as much as possible about their customers. Is there a time when a company may choose to forego data collection simply because it does not want the responsibility that comes with having that much data at its disposal?

CHAPTER V: Staying on the Ethical Course

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What Should a CPA Do?

While undergoing a SOC for Cybersecurity engagement can provide great insight on the state of a company's cybersecurity controls, it may not be possible for some organizations to take advantage of this, for financial or other reasons. To meet these needs, the AICPA has developed a Cybersecurity Resource Center. This comprehensive platform provides several tools for organizations to think through the implications of cybersecurity, regardless of if they are in public or private practice. For example, one AICPA article suggests the following strategic steps as a way to develop organizational thinking around cybersecurity (Krahenbuhl, 2015):

1. Take an assessment of the efficacy of the organization's current approach to cyber risk oversight in the light of emerging threats.
2. Consider the extent to which critical risks may occur and not be detected by silo risk managers and implement greater cross-collaboration throughout the organization.
3. Assess the extent to which cyber risk management is an important input to the strategic planning process and adjust risk management processes as needed.
4. Implement a structured set of cyber risk identification, assessment and monitoring processes that requires focus and accountability at the board and senior management levels.

These steps suggest that a key to mitigating cyber risk is involving other departments and proactively assessing and monitoring risk.

On a more tactical level, there is some evidence that basic employee education could present a good opportunity. A recent McAfee study of 6,400 people worldwide found that 52 percent of respondents did not know how to secure connected devices and apps. Similarly, more than 40 percent of respondents do not immediately change default passwords, and about 33 percent do not believe that they can control companies collecting their personal information (Bradley, 2018). This data would seem to indicate that basic employee education on how to protect data could reduce cyber risk to organizations. Another recent AICPA article from the resource center suggests 22 basic preventative tasks that organizations can implement as well (Kecpczyk, 2018). See this list in Appendix VII.

However, while the suggestions on these lists are important, a CPA must use his or her professional judgment to decide how much data collection is too much — and if, and when, cost should be considered in the decision. Clearly defining where these lines are for the organization and the individual can help CPAs better adapt to the increasing challenges of data security in the future.

Discussion Questions:

- What is the key to controlling risk when it comes to protecting data within an organization?
- How can organizations measure the effectiveness of our risk measures when it comes to data protection?
- Where is the line when it comes to protecting data? Is there a time when the costs exceed the benefit of data protection?
- What are the best practices when it comes to data protection?

Sources

Bradley, T. (2018, January 27). Top 5 Concerns To Focus On For Data Privacy Day. Retrieved from *Forbes* website: <https://www.forbes.com/sites/tonybradley/2018/01/27/top-5-concerns-to-focus-on-for-data-privacy-day/#3a464d5b4f3c>

Hyde, J. (2016, July 6). AICPA's Melancon Sees Many Roles for CPAs in Battle against Cyber Crime. Retrieved from AICPA website: <https://www.aicpa.org/press/pressreleases/2016/aicpas-melancon-sees-many-roles-for-cpas-in-battle-against-cybercrime.html>

Kepczyk, R. H. (2018, May 28). 2018 CPA Cybersecurity Checklist. Retrieved from AICPA website: <https://www.aicpa.org/interestareas/privatecompaniespracticesection/qualityservicesdelivery/informationtechnology/2018-cpa-cybersecurity-checklist.html>

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CONCLUSION

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This course is intended to provide an update on changes to regulations, standards and best practices in the accounting industry. Now it's up to practitioners to put them to use and maintain the high ethical standard for which the CPA profession has long been known. Where the standards don't quite cover an issue, the ethical decision-making models provided in this course can help practitioners make sense of those gray areas.

Here are a few next steps CPAs should take:

- Review the takeaways at the end of each chapter.
- Complete the class evaluations sent via email — these help the VSCPA make improvements to the course.
- Check CPA license status (and firm license status, if applicable) on the VBOA website.
- Make a note of the AICPA Ethics hotline number for any pressing concerns — (888) 777-7077, option 6.
- Re-read the AICPA Code of Professional Conduct.
- Check CPE history in the VBOA's CPE tracker and make sure it's up to date.
- Review the topics discussed in this course and seek further information and/or education on those that are professionally relevant.
- Visit vscca.com/EthicsResources for the most up-to-date information on the topics discussed in this course.

As the leading professional resource for Virginia CPAs, the VSCPA takes immense pride in the quality and comprehensiveness of our Ethics course. Thanks for learning with us!

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As a licensed CPA, you are regulated by the state(s) in which you are licensed, among other bodies, depending on the nature of your work or your organization's work. The VBOA incorporates by reference (per § 54.1-4413.3) and sets forth that persons and firms using the CPA title in Virginia shall follow the standards and any interpretive guidance issued by the organizations listed in this section.

Code of Virginia:

Title 54.1 Professions and Occupations; Chapter 44 — Public Accountants:
tinyurl.com/CodeOfVirginia

AICPA Code of Professional Conduct:

tinyurl.com/AICPACodeStandard

Virginia Board of Accountancy (VBOA)

boa.virginia.gov

Email: boa@boa.virginia.gov

CPA Licensing Services & General Information: (804) 367-8505

CPA Examination Services: (804) 367-1111

VBOA Regulations

tinyurl.com/VBOARegulations

Virginia Society of CPAs

vscca.com

(804) 270-5344

VSCPA Ethics Resource Center

vscca.com/EthicsResources

No matter when you choose to fulfill your Ethics requirement, you can always get the most up-to-date information about issues presented in the course at the VSCPA's Ethics Resource Center. While the information contained in this manual — including URLs, email addresses and phone numbers — is accurate as of the time the manual was printed, the VSCPA will be updating this page throughout the year.

American Institute of CPAs (AICPA)

aicpa.org

AICPA hotline: (888) 777-7077

The AICPA Ethics Hotline provides non-authoritative guidance to members on questions related to ethics, including independence. The Ethics Hotline is open from 9 a.m. – 5 p.m. EST on weekdays. A staff member can be reached via email at ethics@aicpa.org or via phone at (888) 777-7077, option 6, followed by option 1.

AICPA Technical Hotline

tinyurl.com/AICPATechnicalHotline

(877) 242-7212

NASBA Statement on Standards for CPE Programs

tinyurl.com/NASBACPEStandards

U.S. Comptroller General:

gao.gov/cghome/index.html

Financial Accounting Foundation (FAF)

accountingfoundation.org

Federal Accounting Standards Advisory Board (FASAB)

fasab.gov

(202) 512-7350

Financial Accounting Standards Board (FASB)

fasb.org

(203) 847-0700

Codification: asc.fasb.org/

U.S. Government Accountability Office (GAO)

gao.gov

(202) 512-3000

Government Accounting Standards Board (GASB)

gasb.org

(203) 847-0700

U.S. Internal Revenue Service (IRS)

irs.gov

(866) 255-0654

International Accounting Standards Board (IASB)

ifrs.org

+44 (0)20 7246 6410

Public Company Accounting Oversight Board (PCAOB)

pcaobus.org

(202) 207-9100

Independence and Ethics Rules and Standards (including AICPA Code of Professional Conduct references):

tinyurl.com/PCAOBStandards

U.S. Securities and Exchange Commission (SEC)

sec.gov

(888) 732-6585

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APPENDIX I: Resources, Glossary and Acronyms

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Glossary of Terms

Unless otherwise noted, the following definitions are from the Code of Virginia § 54.1-4400. Definitions.

Affiliate of a financial statement attest client is any of the following entities:

- a. An entity (for example, subsidiary, partnership or limited liability company) that a financial statement attest client can control.
- b. An entity in which a financial statement attest client or an entity controlled by the financial statement attest client has a direct financial interest that give the financial statement attest client significant influence over such entity and that is material to the financial statement attest client.
- c. An entity (for example, parent, partnership or limited liability company) that controls a financial statement attest client when the financial statement attest client is material to such entity.
- d. An entity with a direct financial interest in the financial statement attest client when that entity has significant influence over the financial statement attest client, and the interest in the financial statement attest client is material to such entity.
- e. A sister entity of a financial statement attest client if the financial statement attest client and sister entity are each material to the entity that controls both.
- f. A trustee that is deemed to control a trust financial statement attest client that is not an investment company.
- g. The sponsor of a single employer employee benefit plan financial statement attest client.
- h. Any entity, such as a union, participating employer, or a group association of employers, that has significant influence over a multiemployer employee benefit plan financial statement attest client and the plan is material to such entity.
- i. The participating employer that is the plan administrator of a multiple employer employee benefit plan financial statement attest client.
- j. A single or multiple employer employee benefit plan sponsored by either a financial statement attest client or an entity controlled by the financial statement attest client. All participating employers of a multiple employer employee benefit plan are considered sponsors of the plan.
- k. A multiemployer employee benefit plan when a financial statement attest client or entity controlled by the financial statement attest client has significant influence over the plan and the plan is material to the financial statement attest client
- l. An investment adviser, a general partner, or a trustee of an investment company financial statement attest client (fund) if the fund is material to the investment adviser, general partner, or trustee that is deemed to have either control or significant influence over the fund. When considering materiality, members should consider investments in, and fees received from, the fund.

Source: AICPA Professional Ethics Committee October 2015 Official Release

Assurance means any form of expressed or implied opinion or conclusion about the conformity of a financial statement with any recognition, measurement, presentation or disclosure principles for financial statements.

Attest services means audit, review or other attest services for which standards have been established by the Public Company Accounting Oversight Board (PCAOB), by the Auditing Standards Board or the Accounting and Review Services Committee of the American Institute of CPAs (AICPA), or by any successor standard-setting authorities.

Catfishing means creating a fake online profile to trick a victim into a fictitious online relationship in order to get benefits from an unsuspecting victim.

Chain message hoaxes are fraud which often involves convincing the victim to forward or pass along a message to his or her network for the purpose of extorting money or information.

Client means any person or entity, other than a CPA's employer, that engages a CPA or CPA firm to perform professional services (engaging entity) and also a person or entity with respect to which a CPA or CPA firm perform professional services (subject entity). When the engaging entity and the subject entity are different, while there is only one engagement, they are separate clients. *Source: AICPA Professional Ethics Committee December 2017 Official Release*

Compilation services means compiling financial statements in accordance with standards established by the AICPA or by any successor standard-setting authorities.

Cybersecurity means how a company protects itself against unauthorized use or access to electronic data.

Ethical communication means communication that furthers integrity and builds trust based on the idea of congruent words and actions.

Financial statement means a presentation of *historical or prospective* information about one or more persons or entities.

Financial reporting framework (FRF) are the standards used to measure, recognize, present and disclose all material items within an entity's financial statements. Examples include U.S. Generally Accepted Accounting Principles (GAAP), International Financial Reporting Standards (IFRS) and special purpose frameworks.

Financial Reporting Framework for Small-and-Medium-sized Entities (FRF-SME) is a principles-based special purpose framework for preparing financial statements of privately held small- to medium-sized entities. It was developed under the guidance of the AICPA FRF for SMEs task force and is therefore non-authoritative.

Hosting services are nonattest services that involve a CPA accepting responsibility for the following:

- a. Acting as the sole host of a financial or non-financial information system of an attest client
- b. Taking custody of or storing an attest client's data or records whereby, that data or records are available only to the attest client from the member, such that the attest client's data or records are otherwise incomplete
- c. Providing electronic security or back-up services for an attest client's data or records

Source: AICPA Professional Ethics Committee August 2017 Official Release

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Licensee means a person or firm holding a Virginia license or the license of another state. However, for purposes of this document, licensee only refers to a person holding a Virginia license or the license of another state.

Lottery schemes are scams that involve the promise of a large prize if the victim sends information or money.

Mobility means a practice privilege that generally permits a licensed CPA in good standing from a substantially equivalent state to practice outside of his or her place of business without obtaining another license. *Source: cpamobility.org*

Online presence means how we appear to clients, employers, colleagues, family, friends, the profession and the public at large on the Internet. It is the collective picture we present to the public through social media, blogs, websites and other Internet sources.

Owner-managed entities are closely held companies run by the individuals who own a controlling ownership interest; a stark contrast to public companies, which by definition have an obvious separation between ownership and the management. *Source: AICPA's Financial Reporting Framework for Small- and Medium-sized Entities FAQ*

Peer review means one of two types of reviews (system and engagement) of a firm's accounting and auditing practice conducted in accordance with the AICPA's practice monitoring program. A system review is a study and appraisal by an independent evaluator of a CPA firm's system of quality control to perform accounting and auditing work. An engagement review is a study and appraisal by an independent evaluator of a sample of a CPA firm's actual accounting work, including accounting reports issued and documentation prepared by the CPA firm, as well as other procedures that the firm performed.

Practice of public accounting means the giving of an assurance other than (i) by the person or persons about whom the financial information is presented or (ii) by one or more owners, officers, employees or members of the governing body of the entity or entities about whom the financial information is presented.

Profile hijacking means taking over a social media profile for the purpose of obtaining access to a social media network.

Providing services to the public means providing services that are subject to the guidance of the standard-setting authorities listed in the standards of conduct and practice in subdivisions 5 and 6 of § 54.1-4413.3.

§ 54.1-4413.3. Standards of conduct and practice. (5 and 6 only listed below.)

5. Follow the technical standards, and the related interpretive guidance, issued by committees and boards of the American Institute of Certified Public Accountants that are designated by the Council of the American Institute of Certified Public Accountants to promulgate technical standards, or that are issued by any successor standard-setting authorities.
6. Follow the standards, and the related interpretive guidance, as applicable under the circumstances, issued by the Comptroller General of the United States, the Federal Accounting Standards Advisory Board, the Financial Accounting Standards Board, the Governmental Accounting Standards Board, the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission, comparable international standard-setting authorities, or any successor standard-setting authorities.

Providing services to an employer means providing to or on behalf of an entity services that require the substantial use of accounting, financial, tax or other skills that are relevant, as determined by the Board.

Safeguards mean controls that eliminate or reduce threats to independence. Safeguards range from partial to complete prohibitions of the threatening circumstance to procedures that counteract the potential influence of a threat. The nature and extent of the safeguard to be applied depend on many factors, including the size of the firm and whether the client is a public interest entity. To be effective, safeguards should eliminate or reduce the threat to an acceptable level. *Source: AICPA Code of Professional Conduct*

Small- and medium-sized entities (SME). There is no standard definition in the United States or under the AICPA. *Source: AICPA's Financial Reporting Framework for Small- and Medium-sized Entities FAQ*

Social media means forms of electronic communication, such as websites for social networking and microblogging, through which users create online communities to share information, ideas, personal messages and other content. *Source: Merriam-Webster, 2017*

Special purpose framework means a financial reporting framework other than GAAP that is one of the following bases of accounting:

- a. **Cash basis**. A basis of accounting that the entity uses to record cash receipts and disbursements and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets).
- b. **Tax basis**. A basis of accounting that the entity uses to file its tax return for the period covered by the financial statements.
- c. **Regulatory basis**. A basis of accounting that the entity uses to comply with the requirements or financial reporting provisions of a regulatory agency to whose jurisdiction the entity is subject (for example, a basis of accounting that insurance companies use pursuant to the accounting practices prescribed or permitted by a state insurance commission).
- d. **Contractual basis**. A basis of accounting that the entity uses to comply with an agreement between the entity and one or more third parties other than the auditor.
- e. **Other basis**. A basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements.

The cash basis, tax basis, regulatory basis, and other basis of accounting are commonly referred to as other comprehensive bases of accounting. *Source: AICPA Clarified Statement on Auditing Standards (AU-C) 800*

Substantial equivalency means that the education, CPA exam and experience requirements contained in the statutes and administrative rules of another jurisdiction are comparable to, or exceed, the education, CPA exam and experience requirements contained in Chapter 44 of Title 54.1 of the Code of Virginia and the Board of Accountancy Regulations. (18VAC5-22)

Threat means a circumstance that could impair independence. Whether independence is impaired depends on the nature of the threat, whether it would be reasonable to expect that the threat would compromise the CPA's professional judgment and, if so, the

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specific safeguards applied to reduce or eliminate the threat and the effectiveness of those safeguards. *Source: AICPA Code of Professional Conduct*

URL shortening cons are shortened versions purporting to link to a legitimate URL which instead redirect the victim to a website which steals his or her information.

Using the CPA title in Virginia means using “CPA,” “Certified Public Accountant” or “public accountant” (i) in any form or manner of verbal communication to persons or entities located in Virginia or (ii) in any form or manner of written communication to persons or entities located in Virginia, including but not limited to the use in any abbreviation, acronym, phrase or title that appears in business cards, the CPA wall certificate, Internet postings, letterhead, reports, signs, tax returns or any other document or device. Holding a Virginia license or the license of another state constitutes using the CPA title.

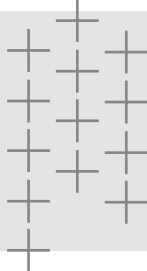
Common Acronyms and Abbreviations

- **AICPA** — American Institute of CPAs
- **ASU** — Accounting Standards Update
- **CAQ** — Center for Audit Quality
- **CPA** — Certified Public Accountant
- **CPE** — Continuing Professional Education
- **DOJ** — U.S. Department of Justice
- **EBPAQC** — AICPA Employee Benefit Plan Audit Quality Center
- **ET** — Ethics (topical index of the AICPA Professional Code of Conduct)
- **FAF** — Financial Accounting Foundation
- **FASB** — Financial Accounting Standards Board
- **FRF** — Financial reporting framework
- **FTC** — U.S. Federal Trade Commission
- **GAO** — U.S. Government Accountability Office
- **IESBA** — International Ethics Standards Board for Accountants
- **IFAC** — International Federation of Accountants
- **IQAB** — International Qualification Appraisal Board
- **IQEX** — International Qualification Examination
- **IRC** — U.S. Internal Revenue Code
- **IRS** — U.S. Internal Revenue Service
- **GAAP** — Generally Accepted Accounting Principles
- **GAAS** — Generally Accepted Auditing Standards
- **GAGAS** — Generally Accepted Government Auditing Standards
- **GAPP** — Generally Accepted Privacy Principles
- **NASBA** — National Association of State Boards of Accountancy
- **PCAOB** — Public Company Accounting Oversight Board
- **PCC** — Private Company Council
- **PEEC** — AICPA Professional Ethics Executive Committee
- **PIOB** — Public Interest Oversight Board
- **PTIN** — Preparer Tax Identification Number
- **SHRM** — Society for Human Resource Management
- **SME** — Small- and medium-sized entities
- **SPF** — Special purpose framework (previously Other Comprehensive Basis of Accounting)
- **SSAE** — Statements on Standards for Attestation Engagements
- **SSARS** — Statements on Standards for Accounting and Review Services
- **SQCS** — Statement on Quality Control Standards
- **SSTS** — Statements on Standards for Tax Services
- **VAC** — Virginia Administrative Code (“Regulations”)
- **VBOA** — Virginia Board of Accountancy (“the Board”)
- **VSCPA** — Virginia Society of CPAs

NOTES

APPENDIX II: VBOA Individual License Reinstatement Application

NOTES



This form is used to reinstate an Individual CPA License after losing or surrendering it. It can be found at boa.virginia.gov/Forms/Individual%20License%20Reinstatement.pdf.

Individual CPA License Reinstatement

INSTRUCTIONS FOR REINSTATEMENT:

- _____ 1. Reinstatement Application: Please be sure that all information is completed on the application.
- _____ 2. Disclosures: Please contact the VBOA by email at boa@boa.virginia.gov if you need to disclose any information regarding a felony or misdemeanor conviction, an administrative action, or civil judgment for an intentional tort or professional negligence.
- _____ 3. Application Fee: The reinstatement fee for a individual CPA license is \$350 and must be paid with a check or money order, made payable to the Treasurer of Virginia. The fee can be used for one year from date of receipt. Pursuant to [18VAC5-22-20\(B\)](#), all fees are non-refundable. Your application will not be reviewed until you have submitted payment.
- _____ 4. Name Change: Documentation must be provided to show each name change(s) if it has been changed from the most recent time you held an active license in Virginia or were licensed in other jurisdictions or other than what is listed on your application. Photocopies of marriage license, court orders or drivers license are accepted.
- _____ 5. Continuing Professional Education: You must submit documentation of having completed CPE hours of 120 hours that must include the current year's Virginia-Specific Ethics Course. CPE obtained during the three calendar years prior to the current calendar year and from the start of the current calendar year to when you begin providing the services shall be considered.
- _____ 6. Please be aware that your signed application affirms that your application is complete and correct and that you have read and understand and will remain current with the laws and regulations governing the practice of public accounting in Virginia.

To receive notice that your application has been delivered to the VBOA, it is suggested that the completed packet be mailed by certified mail-return receipt requested or with delivery confirmation. An incomplete application and/or fee will delay the processing of your application. Incomplete applications are kept for one year then destroyed.

Documents submitted with an application are the property of the VBOA and cannot be returned. Payments returned by the bank for insufficient funds are subject to a returned payment fee, pursuant to [§ 2.2-4805](#) of the Code of Virginia.



Individual CPA License Reinstatement

Please mail the completed application with the \$350 fee to the VBOA at 9960 Mayland Drive, Suite 402, Henrico, VA 23233.

CONTACT INFORMATION

First name: _____ Street address: _____
Middle name: _____ City/State: _____
Last name: _____ ZIP code: _____
Social Security Number* _____ Date of birth: _____
Email address: _____ Phone: _____

*State law requires every applicant for a license, certificate, registration or other authorization engaged in a business, trade, profession or occupation issued by the Commonwealth to provide a Social Security Number or control number issued by the Virginia Department of Motor Vehicles.

BUSINESS INFORMATION

Business name: _____ Phone: _____
Street address: _____ Fax: _____
City/State/ZIP: _____ Email address: _____

REINSTATEMENT CONSIDERATIONS FOR INDIVIDUALS

I no longer hold a CPA license in Virginia because:

My privilege of using the CPA title in Virginia was suspended because:

If necessary, attach additional sheets of paper.

Individual CPA License Reinstatement

List every state or jurisdiction in which you currently hold or previously held a CPA license.

Currently hold Previously held

Currently hold Previously held

If necessary, attach additional sheets of paper.

The respective board of accountancy from every state or jurisdiction in which you currently hold a CPA license must provide documentation of:

- A position of good standing with the VBOA
- Any pending actions alleging violations of the standards of conduct and practice established by state statutes or board regulations
- Any violations of the standards of conduct and practice established by state statutes or board regulations

Explain why you no longer hold a license from every state or jurisdiction in which you **previously held** a CPA license. If necessary, attach additional sheets of paper.

The respective board of accountancy of every state or jurisdiction in which you previously held a CPA license must provide documentation whether you have been found guilty of any violations of the standards of conduct and practice established by state statutes or board regulations.

The state board of accountancy must forward documentation to the VBOA.

CONTINUING PROFESSIONAL EDUCATION (CPE)

I have met the CPE requirements prescribed by Board Regulation [18VAC5-22-90](#) (120 hours of CPE obtained during the previous three calendar-year period ending with the current calendar year), including a two-hour Virginia-Specific Ethics course and shall upon the VBOA's request demonstrate such compliance.

Yes

No

Individual CPA License Reinstatement

I understand if I release or authorize the release of reports on attest or compilation services for persons or entities located in Virginia then I must obtain on an annual basis eight hours of CPE related to attest or compilation services, in compliance with Board regulation [18VAC5-22-140](#).

Yes No

During the time my Virginia license was expired, I was exempt from the CPE requirements in accordance with Board regulation.

Yes No

Attach documentation of CPE to this form.

PROVIDING SERVICES AND USING THE CPA TITLE DURING THE TIME MY LICENSE WAS NOT ACTIVE

During the time my license was expired:

Yes No I practiced public accounting.

Yes No I used the CPA title.

Yes No I claimed to hold a license to use the CPA title.

Yes No I made any other claim of licensure, registration, or approval related to the preparation of financial statements that is false or misleading.

Yes No I referred to any of the standard-setting authorities listed in the standards of conduct and practice in subdivisions 5 and 6 of [§ 54.1-4413.3](#) of the Code of Virginia, or referred to or used any of the terminology prescribed by those authorities for reporting on financial statements, in any form or manner of communication about services provided to persons or entities located in Virginia.

If yes to any of the above, explain and provide documentation that describes:

1. What types of services using the CPA title I provided during the time my license was expired (ex. use of the CPA designation on business cards, an email signature or a company biography).
2. What specific forms I signed using the CPA title during the time my license was expired.

Individual CPA License Reinstatement

- If my license is reinstated, I plan to provide services to the public or to an employer. Upon reinstatement, I shall comply with Board Regulation [18VAC5-22-90](#) regarding CPE.
- I have attached my request for the [Active – CPE Exempt Status](#).

CERTIFICATION

- I comply with the requirements for license reinstatement prescribed in [§ 54.1-4413.2\(D\)](#) of the Code of Virginia.
- I shall meet the continuing professional education (CPE) requirements prescribed by Board regulation [18VAC5-22-90](#) and shall upon the VBOA's request demonstrate such compliance.
- I understand that if I release or authorize the release of reports on attest or compilation services for persons or entities located in Virginia then I must obtain on an annual basis eight hours of CPE related to attest or compilation services, in compliance with Board regulation [18VAC5-22-140](#).
- I have not been the subject of or party to any administrative disciplinary action before any branch of the armed forces of the United States of America, court, agency of the state or federal government, or before the American Institute for Certified Public Accountants, the Virginia Society of Certified Public Accountants or their successors.
- I have not been convicted in any jurisdiction of a felony or misdemeanor regardless of whether sentence is suspended, imposed or executed, or have not been charged with a crime or have no charges pending.
- I have not had judgment rendered against me for any intentional tort or professional negligence.
- I have not withheld information that might affect the decision by the VBOA to reinstate my license.
- I certify all of the information submitted in this application and attachments is true and complete. I am aware that submitting false information or omitting pertinent or material information in connection with this application is cause for the denial, suspension or revocation of my license.
- I have carefully read the laws and regulations related to the practice of public accounting. I agree to abide by and remain current with the applicable laws and regulations, which are available at www.boa.virginia.gov.

Name: _____ License number: _____

Signature: _____ Date: _____

APPENDIX III: VBOA Firm License Reinstatement Application

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This form is used to reinstate a Firm CPA license after losing or surrendering it. It can be found at boa.virginia.gov/Forms/Firm%20License%20Reinstatement.pdf

Firm CPA License Reinstatement

INSTRUCTIONS FOR REINSTATEMENT:

- _____ 1. Reinstatement Application: Please be sure that all information is completed on the application.
- _____ 2. Disclosures: Please contact the VBOA by email at boa@boa.virginia.gov if you need to disclose any information regarding a felony or misdemeanor conviction, an administrative action, or civil judgment for an intentional tort or professional negligence.
- _____ 3. Application Fee: The reinstatement fee for a firm CPA license is \$500 and must be paid with a check or money order, made payable to the Treasurer of Virginia. The fee can be used for one year from date of receipt. Pursuant to [18VAC5-22-20\(B\)](#), all fees are non-refundable. Your application will not be reviewed until you have submitted payment.
- _____ 4. Name Change: Documentation must be provided to show each name change(s) for your entity's if it has ever changed from the most recent time you held an active license in Virginia or were licensed in other jurisdictions or other than what is listed on your application.
- _____ 5. Practice Monitoring/Peer Review: If the services that your entity intends to provide fall within the scope of the American Institute of Certified Public Accountants practice monitoring program, you must submit documentation of having been enrolled in the applicable monitoring program of the American Institute of Certified Public Accountants or its successor, or in another monitoring program for attest services, compilation services, and financial statement preparation services that is approved by the VBOA.
- _____ 6. Please be aware that by signing this application on behalf of your entity, you are affirming that your entity's application is complete and correct and that you have read and understand and will remain current with the laws and regulations governing the practice of public accounting in Virginia.

To receive notice that your application has been delivered to the VBOA, it is suggested that the completed packet be mailed by certified mail-return receipt requested or with delivery confirmation. An incomplete application and/or fee will delay the processing of your application. Incomplete applications are kept for one year then destroyed.

Documents submitted with an application are the property of the VBOA and cannot be returned. Payments returned by the bank for insufficient funds are subject to a returned payment fee, pursuant to [§ 2.2-4805](#) of the Code of Virginia.



Firm CPA License Reinstatement

Please mail the completed application with the \$500 fee to the VBOA at 9960 Mayland Drive, Suite 402, Henrico, VA 23233.

CONTACT INFORMATION

Firm name: _____ Street address: _____
Federal ID number: _____ City/State: _____
Contact name: _____ ZIP code: _____
Email address: _____ Phone: _____

TYPE OF FIRM

Sole proprietorship Partnership Corporation Other: _____

OWNERSHIP/VOTING EQUITY INTEREST

Name: _____ Active CPA: Yes No
License number: _____ Jurisdiction: _____
Ownership (as a percentage): _____ Voting equity interest (as a percentage): _____

Ownership interest and voting equity interest should each add up to 100%. If necessary, attach additional sheets of paper.

REINSTATEMENT CONSIDERATIONS FOR FIRMS

- The firm no longer holds a CPA license in Virginia because:
 The firm's privilege of using the CPA title in Virginia was suspended because:

If necessary, attach additional sheets of paper.

Firm CPA License Reinstatement

List every state or jurisdiction in which the firm currently holds or previously held a CPA license.

Currently hold Previously held

Currently hold Previously held

If necessary, attach additional sheets of paper.

The respective board of accountancy from every state or jurisdiction in which you currently hold a CPA license must provide documentation of:

- A position of good standing with the VBOA
- Any pending actions alleging violations of the standards of conduct and practice established by state statutes or board regulations
- Any violations of the standards of conduct and practice established by state statutes or board regulations

Explain why the firm no longer holds a license from every state or jurisdiction in which the firm has **previously held** a CPA license. If necessary, attach additional sheets of paper.

The respective board of accountancy of every state or jurisdiction in which the firm previously held a CPA license must provide documentation concerning whether the firm has been found guilty of any violations of the standards of conduct and practice established by state statutes or board regulations.

The state board of accountancy must forward documentation to the VBOA.

PROVIDING FIRM SERVICES AND USING THE CPA TITLE DURING THE TIME LICENSE WAS NOT ACTIVE

During the time the firm license was expired, the firm provided attest services, compilation services, or financial statement preparation services, or committed any act prohibited by [§ 54.1-4414](#), Code of Virginia.

- Attest services are defined as “audit, review, or other attest services for which standards have been established by the Public Company Accounting Oversight Board, by the Auditing Standards Board or the Accounting and Review Services Committee of the American Institute of Certified Public Accountants, or by any successor standard-setting authorities.”

Firm CPA License Reinstatement

- Compilation services are defined as “compiling financial statements in accordance with standards established by the American Institute of Certified Public Accountants or by any successor standard-setting authorities.”
- Financial statement preparation services are defined as “financial statement preparation services for which standards have been established by the American Institute of Certified Public Accountants or by any successor standard-setting authorities.”
- An entity that does not meet the criteria prescribed by subdivision D 1 of [§ 54.1-4412.1](#) of the Code of Virginia, is prohibited from practicing public accounting; claiming to hold a license to use the CPA title; making any other claim of licensure, registration, or approval related to the preparation of financial statements that is false or misleading; using the CPA title; or referring to any of the standard-setting authorities listed in the standards of conduct and practice in subdivisions 5 and 6 of [§ 54.1-4413.3](#) of the Code of Virginia or refer to or use any of the terminology prescribed by those authorities for reporting on financial statements, in any form or manner of communication about services provided to persons or entities located in Virginia.

 Yes

 No

If yes, explain and provide documentation that describes:

1. What types of services the firm provided during the time its license was expired and to whom those services were provided.
2. What specific instances in which the firm violated [§ 54.1-4414](#) of the Code of Virginia (e.g. using CPA in the firm’s name when it did not meet the ownership or voting equity interest requirements).

If necessary, attach additional sheets of paper.

CERTIFICATION

- The firm complies with the licensing requirements for firms prescribed in [§ 54.1-4412.1](#) of the Code of Virginia.
- The firm complies with any requirements prescribed by the VBOA in response to the results of peer reviews.
- The firm has not had judgment rendered against it for any intentional tort or professional negligence.
- The owner(s)/manager(s) have not had judgment rendered against them for any intentional tort or professional negligence.

Firm CPA License Reinstatement

- The firm complies with the requirements for firm license reinstatement prescribed by [§ 54.1-4413.2\(F\)](#) of the Code of Virginia.
- The owner(s)/manager(s) have not been the subject of or party to any administrative disciplinary action before any branch of the armed forces of the United States of America, court, agency of the state or federal government, or before the American Institute for Certified Public Accountants, the Virginia Society of Certified Public Accountants or their successors.
- The owner(s)/manager(s) have not been convicted in any jurisdiction of a felony or misdemeanor regardless of whether sentence is suspended, imposed or executed, or have not been charged with a crime or have no charges pending.
- The firm has not withheld information that might affect the decision by the VBOA to reinstate the firm license.
- I certify all of the information submitted in this application and attachments is true and complete. I am aware that submitting false information or omitting pertinent or material information in connection with this application is cause for the denial, suspension or revocation of the firm's license.
- I have carefully read the laws and regulations related to the practice of public accounting. I agree to abide by and remain current with the applicable laws and regulations, which are available at www.boa.virginia.gov.

Name: _____ License number: _____

On behalf of (firm name): _____ Firm license number: _____

Signature: _____ Date: _____

APPENDIX IV: Certificate of CPE Completion

NOTES

Certificate of CPE Completion

This certificate is presented to
RECIPIENT NAME

For successfully completing
COURSE TITLE

Completed on MM/DD/YYYY

Location

TRAINING LOCATION

CPE Credit: ## CREDITS

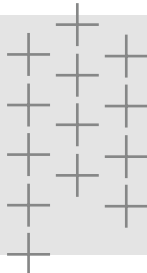
ISSUING ORGANIZATION

STREET ADDRESS

CITY, ST 00000

APPENDIX V: Request for CPE Credit for Published Works

NOTES



This form is used to request CPE credit for writing relevant material or a publication. It can be found at <http://boa.virginia.gov/forms/RequestCPEcreditpublishedarticle.pdf>.

Request for CPE Credit for Published Works

In order to receive CPE credit from the Virginia Board of Accountancy for writing material or a publication, the material must be relevant to providing services to the public or to an employer. In accordance with Board regulation, the material must be formally reviewed by an independent party and must be published in a book, magazine or similar publication used by individuals who provide services to the public or to or on behalf of an employer.

Name: _____ License number: _____

Address: _____

PUBLICATION INFORMATION

Requested number of CPE credits: _____

Title: _____

Publication description (if necessary, attach additional pages): _____

A website link or copy of the publication **must** be provided.

Website link: _____ Copy attached: Yes

Date published: _____

FIELD OF STUDY (check all that apply)

- | | | | |
|--|--|---------------------------------------|----------------------------------|
| <input type="checkbox"/> Academia | <input type="checkbox"/> Professional journal | <input type="checkbox"/> Economics | <input type="checkbox"/> Finance |
| <input type="checkbox"/> Accounting and auditing | <input type="checkbox"/> Auditing governmental | <input type="checkbox"/> Other: _____ | |

PREPARATION TIME (hours and minutes, minus breaks)

Total time spent researching: _____ Total time spent writing: _____

Total time spent editing: _____ Total time spent performing the final review: _____

REVIEWER/EDITOR INFORMATION

Name of reviewer/editor: _____

Description of review process: _____

I confirm that the information provided is true and correct. I understand that if providing false, misleading or deceptive information may subject me to disciplinary action by the VBOA.

Signature: _____ Date: _____

APPENDIX VI: Journal of Accountancy Article on Hosting

NOTES

How Data-Hosting Services Affect Independence

By Catherine R. Allen, CPA

Sept. 27, 2017

Under a new ethics interpretation, a CPA's independence will be impaired when taking responsibility for hosting an attest client's data or records.

The AICPA Professional Ethics Executive Committee (PEEC) recently adopted a new interpretation, "Hosting Services," which appears in the AICPA Code of Professional Conduct's "Independence Rule" (ET §1.295.143) under "Nonattest Services" and applies to practitioners who provide nonattest services to attest clients. Under the new rule, hosting services can impair independence when a CPA takes responsibility for maintaining internal control over an attest client's data or records. For example, the member assumes responsibility for safeguarding the information by agreeing to:

- Be the sole host of a client's financial or nonfinancial information system;
- Be the custodian for the client's data such that the client's data are incomplete and accessible only through the CPA; or
- Provide business continuity or disaster recovery services to the client.

WHY THIS NEW RULE?

In recent years, it has become common for businesses and their CPAs to employ various software solutions, including cloud-based tools, to store, move, and manipulate data. Technological tools have rapidly evolved, becoming less costly and more prevalent in practice, thus PEEC sought to address hosting services in its "Nonattest Services" subtopic under the "Independence Rule" to alert practitioners to potential independence-impairing situations.

A basic precept in the independence rules is that members should not perform activities that are management's responsibility. The Code of Professional Conduct (the Code) precludes activities such as serving, even temporarily, on a client's board or as an executive, approving invoices, holding client assets, or supervising employees. The Conceptual Framework for Independence, as the foundation for the rules, describes management participation threat as the threat that a member will take on the role of the attest client's management or otherwise assume management responsibilities for an attest client.

One example of a management participation threat cited in the framework occurs when a member accepts responsibility for designing, implementing, or maintaining internal controls for the attest client.

The new rule narrowly interprets hosting services to mean the member has accepted responsibility for maintaining internal control over an attest client's information (i.e., safeguarding information the company uses to run its business), whether financial or nonfinancial in nature.

Accepting responsibility to perform a management function creates the threat to independence, and this is stated plainly in the opening sentence of the interpretation.

SITUATIONS THAT CREATE HOSTING SERVICES

Scenarios 1–4 illustrate the types of situations that create hosting services and impair independence:

Scenario 1

B. Rolf, CPA, assumes responsibility for housing her client's website on server(s) her firm leases from Rentserver.com.

Scenario 2

R Corp. outsources to Z. Olsen, CPA, the storage and safekeeping of its general and subsidiary ledgers, legal documents, and amortization and depreciation schedules, which are maintained on the CPA firm's server.

Scenario 3

V. Mistry, CPA, agrees to maintain the original hard copies of his client's lease agreements in his firm's facility.

Note: The new interpretation applies to hard copy and electronic files, as both result in assumption of a management responsibility, which threatens independence.

Scenario 4

J. Higby, CPA, signs an engagement letter with her client to provide disaster recovery services for the client's data and records.

SITUATIONS THAT DO NOT CREATE HOSTING SERVICES

Not all custody or control of a client's records results in hosting services, as a member often must access, use, and/or take possession of a client's information when providing professional services. The pivotal question is whether the member has accepted responsibility for maintaining custody or control of the information. Scenarios 5–10 illustrate situations in which the member's services would not equate to hosting services under the new rule:

Scenario 5

M. Aguado, CPA, requests D Inc.'s records (e.g., time records and other employee payroll data), which she retains while preparing D Inc.'s payroll and related quarterly tax return. Once the engagement is completed, Aguado returns all original client records to D Inc. She retains a copy of the tax return and any of the data she collected during the engagement that support her completed work product.

Note: If the engagement was ongoing, Aguado should return the records to D Inc. at least annually.

Scenario 6

L. Duffie, CPA, provides bookkeeping services to ABC using Bookit, a third-party software solution. Duffie and ABC separately license and maintain the software on their respective servers. Duffie performs write-up services for ABC and compiles financial statements when ABC needs to provide an independent CPA's report to a bank or other outside party. As required under ET Section 1.295.120, Bookkeeping, Payroll, and Other Disbursements, Duffie works with ABC's designee, who reviews and takes responsibility for any decision-making affecting the financial statements. As in Scenario 5, once the engagement is completed, Duffie retains only the finished work product and the information that supports the work product.

NOTES

APPENDIX VI: Journal of Accountancy

Article on Hosting

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Scenario 7

XYZ contracts with E-Cloud, a third-party cloud-based software provider and gives S. Rose, CPA, permission to access XYZ's books via the software to perform bookkeeping services. Rose assists XYZ with these services as described in Scenario 6.

Scenario 8

C. Alto, CPA, and J Corp. exchange data, records, and Alto's work product electronically through Alto's portal. All their exchanges relate to performance of Alto's professional services to J Corp. Occasionally, J Corp. asks Alto to deliver its work product to a third party via the portal (e.g., J Corp. asks Alto to send recommended improvements to the company's internal audit function to J Corp.'s board of directors). To avoid hosting services, Alto terminates J Corp.'s access to the information in the portal on a timely basis once the engagement is complete.

Scenario 9

T. Zena, CPA, prepares depreciation schedules for her client, B Co., using her firm's accounting software. To avoid providing hosting services, she gives B Co. a copy of the schedules and the underlying information (e.g., depreciation method, useful life, cost, etc.) so that B's records are complete.

Scenario 10

R. Hensen, CPA, licenses a third party's software to N Corp. so the client can perform its own tax-related valuations throughout the year. The software performs services that Hensen could perform under the Code (ET §1.295.110, *Appraisal, Valuation, and Actuarial Services*).

Note: Hensen should not license software to the client that performs an activity that he is unable to perform under the independence rules, for example, valuation services that are subject to significant subjectivity and material to the client's financial statements.

REMINDER TO COMPLY

Members are reminded to comply with requirements of other interpretations in the "Nonattest Services" subtopic (ET §1.295). For example, all nonattest services are subject to the rule's general requirements (ET §1.295.040), including documentation. Since elements akin to hosting may arise when a member performs tax, bookkeeping, or other nonattest services, members should comply with all applicable rules in ET Section 1.295 of the Code.

The new hosting-services interpretation becomes effective on Sept. 1, 2018, allowing members who are currently providing hosting services but wish to maintain their independence ample time to modify or exit those engagements. Members may early adopt the new rule.

Practitioners providing other information technology services to attest clients should be aware that PEEC has been working on comprehensive revisions to ET Section 1.295.145, "Information Systems Design, Implementation, or Integration." The proposal will address independence considerations when a member provides certain implementation or maintenance services for an attest client's information system. PEEC exposure drafts are posted at aicpa.org.

NOTES

APPENDIX VII: Cybersecurity Checklist

NOTES

1. Automatic Screen Locking: Workstations should be set to automatically lock their screens after 5-20 minutes of non-use. This will minimize unauthorized access to the applications and data that are accessible on the computer in the event the user walks away without turning off the computer.
2. Enforced Password Policy: At a minimum, firms should mandate hardened password rules requiring all users to change their passwords four times per year with complex passwords or more recently, utilizing pass phrases (NoHackersOnMyWatch!). These should be a combination of numbers, letters, and special characters that are unique to each application and not numerically derivative of a previous password.
3. Enhanced Password Controls: Firms should implement multi-factor authentication tools such as a physical security fob, biometric scan, or more prevalently, an application that would send a passcode to their mobile device to be entered to validate the person signing in which is known as two factor authentication. To promote even more secure passwords and minimize duplicative password use, employees can use password managers to generate a unique, extremely complex password for each application.
4. Secure Physical Access: On-premise file servers should be in an unmarked, locked room. Workstations containing data should have encrypted storage disks or, better yet, run everything on the secured server or in the cloud so there is no local data to be stolen. The office should also have an updated alarm system with a unique code for each employee that is disabled when an employee no longer works for the firm.
5. Proper Information Disposition: Firms should utilize inventory tags to track firm-owned equipment and document acquisitions, assignments, and dispositions including procedures to properly erase and reformat (or destroy) any devices that might contain client data.
6. Data Tracking/Access: Firms must know where all client data resides to be able to secure it. A data map should include not only what is stored on internal servers, workstations and mobile devices but also backup systems, USB/storage drives, and cloud applications.
7. Limit Mobile Access: Firms should only allow trusted, validated users and equipment to connect to the firm's IT resources. Mobile device management requires each workstation, tablet and smartphone to be individually registered to connect to the firm's network which minimizes the risk of unauthorized equipment connecting.
8. Updated Operating Systems: One of the most successful ways that hackers compromise network systems is through known vulnerabilities to operating systems that the firm has not yet loaded system updates to block that vulnerability. The best way to minimize this avenue of attack is to set workstations to automatically update the operating system and key workstation applications.
9. Minimize Administrative Privileges: Hackers that obtain administrative access privileges to networks and workstations have significantly more power to take control of network resources. IT personnel should minimize allowing users to have administrator privileges and set access levels to the minimum level required by each user to complete their work.

10. Current Network Operating Systems: Operating systems for all equipment comprising the network (file servers, firewalls, routers, Internet of Things [IoT] peripherals) should be reviewed regularly to make sure they are running the most current system updates. It is also critically important to change the default passwords on all devices connected to the firm/home network.
11. Antivirus/Malware Applications: Each fileserver, workstation, and mobile device should have antivirus/security software installed that is being automatically updated and actively scanning for malware on a pre-set schedule. These applications have expanded capabilities to include intrusion detection and prevention in addition to spam management that will blacklist known threats and allow the firm to whitelist valid sites.
12. Protected Backups: Encrypted data backups not only protect firms from lost/corrupted data but are critical if the firm is the target of a ransomware attempt. Shadow copies of all changed files should be made throughout the day so the most recent versions can be restored. IT personnel should regularly review backup logs to verify that data backups are complete, and randomly restore files to verify the data is accessible.
13. Secure Client Transmission: All employees should be trained on utilizing encrypted email and/or portal solutions for the secure transmission of files to and from clients. This training should include proactive training of clients to use the firm's system to foster adoption and minimize data being exposed.
14. Secure Staff Connection: All employees should be trained to verify secure connections to websites or to utilize a Virtual Private Network (VPN) connection when working outside the office and accessing the Internet and/or firm resources. When working remotely, employees should also verify the SSID/password for any client-provided WiFi access or utilize a secure digital cellular mobile hotspot rather than public WiFi.
15. Review IT Policies: Technology is evolving rapidly and few firms have updated their IT/HR policies to reflect current changes including the security ramifications of BYOD (Bring Your Own Device), social media, and the remote workplace. Firms should review policies annually and remind users of changes.
16. Security Education: Proactive and ongoing security training to protect client data should be part of the firm's annual CPE curriculum. In addition to providing an annual update on IT policies, all employees should be educated on current threats including ransomware, phishing, SMiShing (SMS phishing), vishing (voice mail phishing) and other social engineering examples designed to make employees download malware that compromises the firm's security or inadvertently give out sensitive information.
17. Phishing Awareness: Employees need to be regularly reminded of current phishing schemes and to be trained on what to do if they receive a suspicious email. This would include hovering over the sender's email address in the header or any hyperlinks to verify properties and to ensure they match or typing in website address directly into a browser. Employees should also be reminded to not click on a link or open an attachment within an email if the email is unexpected and suspicious. There are a number of services that provide ongoing phishing/security training and testing of employee's response to phishing emails.

APPENDIX VII: Cybersecurity Checklist

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18. Screen Potential Employees and Contractors: A surprising percentage of breaches occur with the help of internal employees so it is important to conduct background checks on anyone being given access to the firm network. IT personnel need to be involved to monitor access and terminate contractor access when the project is completed.
19. Greet Office Visitors: Employees should be trained to escort all clients to the person they are meeting with.
20. Hire Cybersecurity Expertise: If the firm's internal IT personnel do not provide ongoing security support for clients, it is not likely that they will be able to provide an optimum level of cybersecurity expertise internally to protect the firm. Internal IT personnel should partner with external security-focused integrators to review the firm's network security and provide direction and implementation assistance.
21. Breach Response Plan: The worst time to develop a cybersecurity incident response plan is after a firm finds out it has been hacked. IT personnel should document the process and educate employees on what they are to do if they suspect a breach.
22. Cybersecurity Insurance: It is important that firms review their insurance policies to understand to what extent they are covered for lost productivity or client damages resulting from a cybersecurity breach.

NOTES

APPENDIX VIII: Video Scripts

NOTES

Welcome Video

Nancy Glynn: Thanks for taking the 2019 required Virginia CPA Ethics course. I'm Nancy Glynn, CPA, and I'm the new executive director of the Virginia Board of Accountancy. I'm excited to work with our licensees on continuing to move towards a better, more effective CPA profession in Virginia, because what you do to protect Virginia's taxpayers and businesses is vital. We all share the same goal of making the profession as strong and ethical as it can be.

The mission of the VBOA is to protect the citizens of the Commonwealth through a regulatory program of licensure and compliance of CPAs and CPA firms. It is true that to accomplish this mission, we have the authority to impose enforcement actions, but we are also here as a resource to our licensees, Exam candidates and the general public. We educate and assist the CPA community to ensure that they understand and are following the VBOA regulatory requirements.

It's important that you make use of the many resources available to you whenever you're asked to do something you're not quite sure about. One of the reasons the CPA profession is such a special one is the sense of community and responsibility its practitioners feel. CPAs understand that the profession, and society in general, benefit when we share knowledge and best practices for the greater good. So, in closing, be there for each other, do your due diligence, and if you're ever in doubt, remember — we are here for you.

Volunteer Video

Juanita Leatherberry, CPA: I volunteer as chairperson of the board of directors of the Cultural Arts Center in Glen Allen. I also volunteer as a trustee on the Virginia Commonwealth University School of Business Trustee Board.

Alice Capellino, CPA: I volunteer by teaching financial literacy through Junior Achievement.

Tara Matthews, CPA: I volunteer as treasurer for the Richmond Symphony Foundation.

Brandon Pope, CPA: I serve as the chair of the Young Professionals Advisory Council of the VSCPA.

Fabiola Santana, CPA: I volunteer at Chances for Youth. I do their books and help coordinate events.

Roy Emmons, CPA: I'm a board member for the Clarke County Education Foundation.

Ron Britt, CPA: I serve as the finance chair for my church.

Belinda Santos-Castro, CPA: I volunteer at my church and at my daughter's school.

Bryan Larsen, CPA: I teach financial literacy at a local juvenile detention center.

Kim O'Donnell, CPA: I serve as the treasurer for the Cherry Blossom Breast Cancer Foundation.

Janet Lawson, CPA: I volunteer on the alumni advisory council for my sorority, Pi Beta Phi, at the College of William & Mary.

John Reynolds, CPA: I volunteer with the VSCPA as the Roanoke Chapter president.

Anne Hagen, CPA: I serve at the Virginia Credit Union on the supervisory committee.

Bill Young, CPA: I currently serve as treasurer of three private foundations, and I'm vice chairman of our local industrial development authority.

Kelli Meadows, CPA: I've served as the treasurer for The Doorways, which is a 501(c)(3) organization in Richmond, Virginia.

Tyrone Dickerson, CPA: I volunteer for Club 533, which is a professional organization of which I am the treasurer.

NOTES

APPENDIX VIII: Video Scripts

NOTES

Hosting Video

Narrator: Today, we are going to look at one recent change to the Code that may impact you. The change getting the most attention right now is the addition of the hosting interpretation. Technically, this change was supposed to be effective in September 2018, but the AICPA ended up pushing it back to July 1, 2019, to answer more questions about the standard.

While many CPAs think of Software as a Service when they hear the term “hosting,” the definition in the Code is very different. Hosting is defined as a nonattest service that involves “a member accepting responsibility for the following:

- A. Acting as the sole host of a financial or non-financial information system of an attest client
- B. Taking custody of or storing an attest client’s data or records whereby, that data or records are available only to the attest client from the member, such that the attest client’s data or records are otherwise incomplete
- C. Providing electronic security or backup services for an attest client’s data or records”

At first glance, this situation might not appear to be commonplace. However, when looking at examples of hosting, it is clear that many firms do offer services that meet the definition of hosting. If a firm prepares the depreciation schedule for their client and then only provides the journal entry for depreciation, this is deemed to be hosting. As a result, the CPA would not be independent of their audit client. As hosting is a nonattest service that results in management participation, there are no safeguards that can be used to overcome an independence issue resulting from hosting.

In order to avoid hosting, the AICPA offers a few different options:

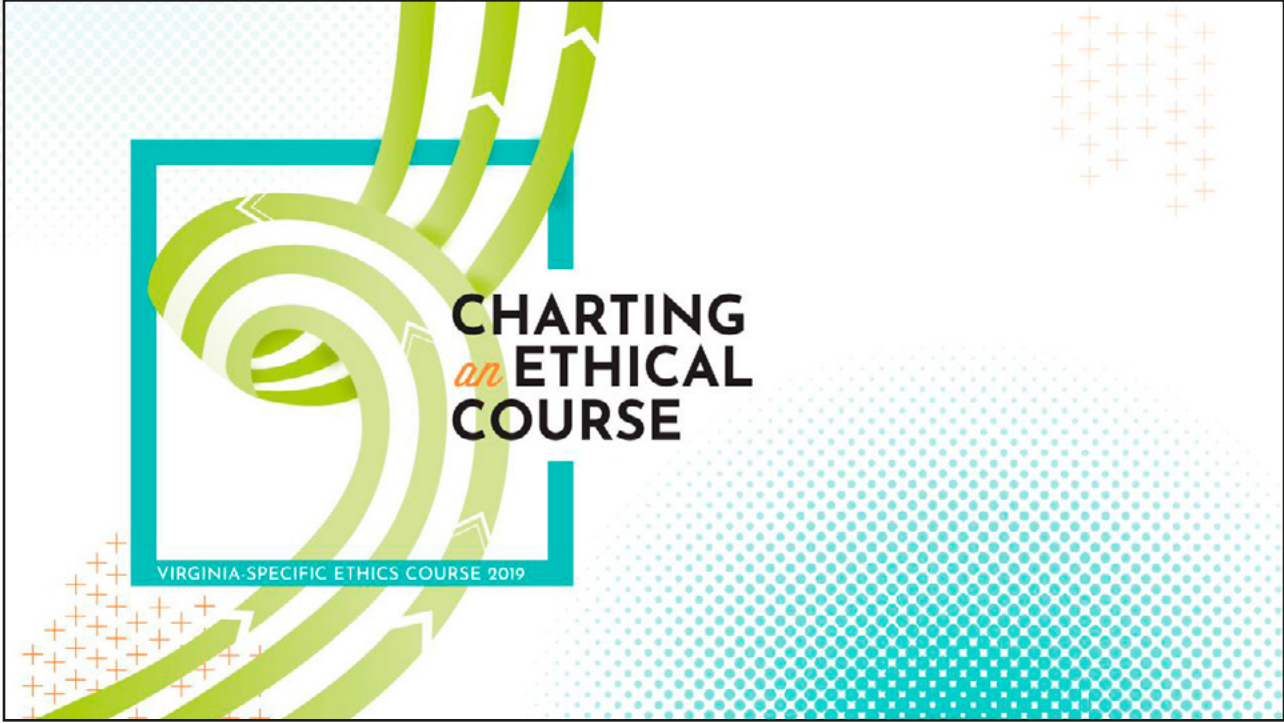
- 1. Provide the client with both the depreciation schedule and supporting calculation so that attest client’s books and records are complete.
- 2. Have the client engage a third-party service provider to maintain its software in a cloud-based solution and grant their CPA access to the software.
- 3. Have both the CPA and the client maintain separate instances of the software on their respective servers.

Both auditors and those in industry should pay close attention to this change. If you are in industry and you have not discussed this with your auditor and you believe your auditor is hosting information, you should discuss this with them. If the auditor hosts and is not independent, your audit report would be pretty much worthless.

So that wraps up our review of hosting. There are many changes coming out of the Professional Ethics Executive Committee. They have a very active agenda right now, so we expect to continue to see changes to the ethics Code. As a reminder, the AICPA lets us know about changes by including them in the Journal of Accountancy, so that is a great place to check each month.

NOTES

APPENDIX IX: Presentation



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VBOA Introduction Video

A video player interface showing a teal square with a white play button in the center. Below the square is a video progress bar with a playhead at 0:00 and a total duration of 1:42. The player also includes volume and full-screen icons. The background of the slide is a light green gradient with a halftone pattern and orange plus signs at the bottom right.

ETHICAL DECISION-MAKING



AICPA Code of Professional Conduct

AICPA's Professional Ethics Executive Committee (PEEC)
recently updated Code of Professional Conduct

- Effective Dec. 15, 2014

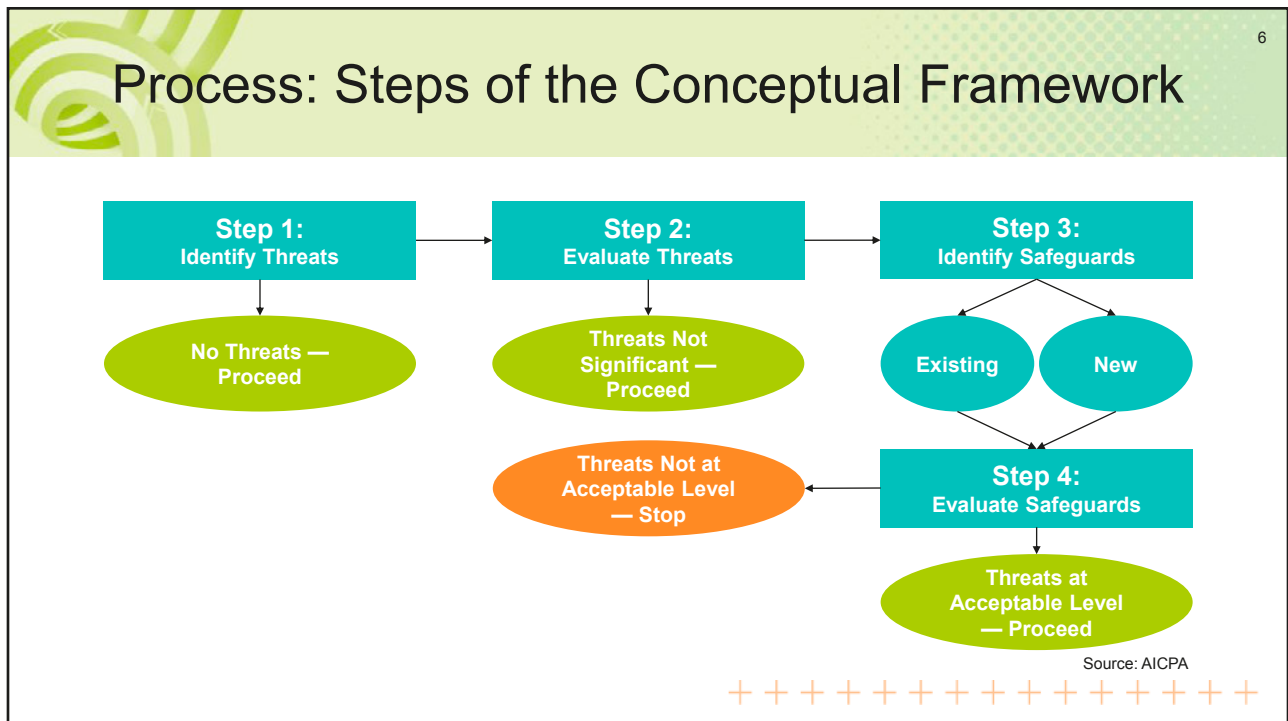


APPENDIX IX: Presentation

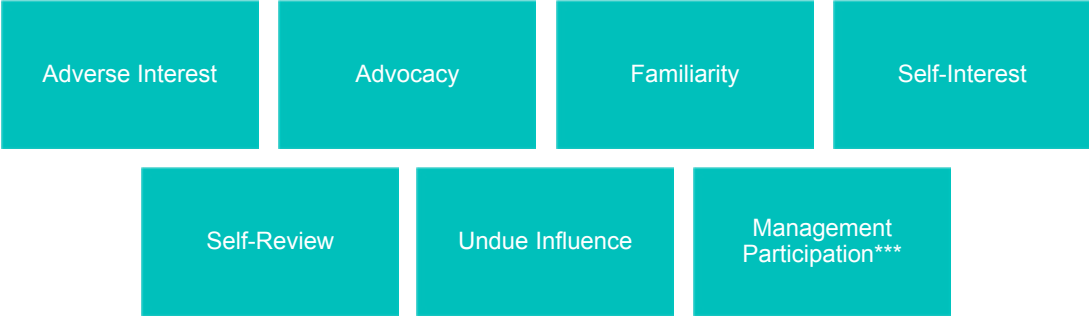
Conceptual Framework

- Principles-based approach
 - Only applies when the Code does not specifically address your question
 - Cannot be used to override existing requirements
- Uses threats and safeguards

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Threats



Safeguards




Source: AICPA



APPENDIX IX: Presentation

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PLUS Ethical Decision-Making Model



7-Step
Model

- 1 Define the problem (consult PLUS filters)
- 2 Seek out relevant assistance, guidance and support
- 3 Identify alternatives
- 4 Evaluate the alternatives (consult PLUS filters)
- 5 Make the decision
- 6 Implement the decision
- 7 Evaluate the decision (consult PLUS filters)

<https://www.ethics.org/resources/free-toolkit/decision-making-model/>

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PLUS Ethics Filter

P = Policies	+	Is it consistent with my organization's policies, procedures and guidelines?
L = Legal	+	Is it acceptable under the applicable laws and regulations?
U = Universal	+	Does it conform to the universal principles/values my organization has adopted?
S = Self	+	Does it satisfy my personal definition of right, good and fair?

<https://www.ethics.org/resources/free-toolkit/decision-making-model/>

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Case Studies

- Golf Guest
- Eager Development
- When Those 3 Initials Show Up at Your Door
- Worthless Inventory



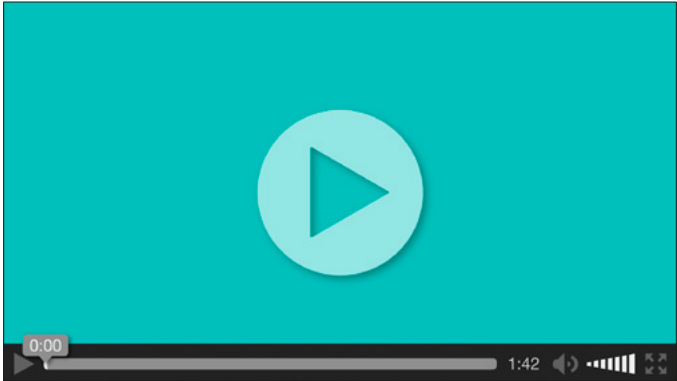
SERVICES TO THE PUBLIC BEYOND VOCATION



APPENDIX IX: Presentation

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#CPAsGiveBack Video



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The Value of Giving Back

Volunteering:

- Can provide an opportunity for professional growth, enabling a CPA to hone skills that may not otherwise be utilized
- Is an opportunity to expand a CPA's network
- Allows retired CPAs to maintain their skills and continue to contribute to our profession and to the public

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Opportunities to Give Back

A CPA can, without a firm license, support a nonprofit entity by volunteering as:

- Treasurer or other officer
- Board member
- A member of an organization's finance or audit committee
- A volunteer bookkeeper, simply posting accounting transactions
- A service volunteer assisting in the entity's mission, such as providing manual labor, etc.




The #CPAsGiveBack Challenge

- CPAs can provide significant knowledge, skills and abilities as volunteers to not-for-profit entities that very much need assistance
- Typical CPA concerns relate to:
 - Services requiring a firm license
 - Enrollment in peer review
 - Compliance with the profession's technical standards



APPENDIX IX: Presentation




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Overcoming Hurdles to Volunteer

- Two very important questions:
- What service is to be provided?
 - Often, a charity requesting an “audit” simply desires one or more auditing procedures to be performed, not a “full audit”
- In what capacity will the CPA be providing the service?
 - Virginia law provides an exclusion for CPAs serving as an entity’s officer or governing board member
 - A CPA serving as an audit committee member is not personally engaged to perform a service

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Real-Life Scenarios

In the following slides, several specific examples will be discussed. CPAs should keep in mind that the specific facts and circumstances always govern any situation. The goal is to use these examples to allow the CPA to volunteer and support nonprofit entities if the CPA so desires.

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A Request for a Volunteer in Auditing

If a CPA is asked to volunteer to “help audit our books” by a nonprofit:

- The CPA first determines if the requested service is truly an audit or simply two or three auditing procedures. A CPA may perform, without a firm license, a few auditing procedures without issuing a “full-blown” audit report.
- The CPA could reply by agreeing to serve not as an individual, but as a member of an audit committee, to perform a few auditing procedures.



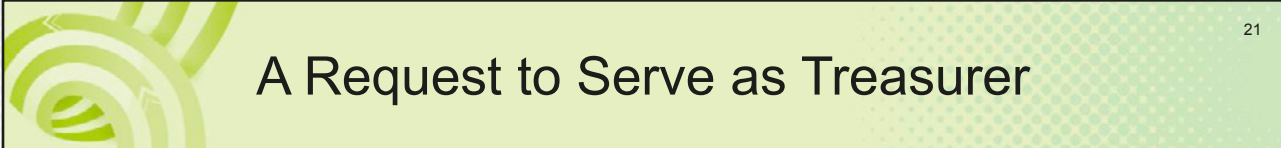
A Request for a Financial Statement

If a CPA is asked to volunteer to “prepare a financial statement” for a nonprofit:

- The CPA may determine that the requested report is not a true financial statement, so the service can be performed without licensing issues.
- The CPA could reply that he or she could perform the service, but only if appointed to the governing board or to an officer position in the entity (this would avoid licensing issues).



APPENDIX IX: Presentation



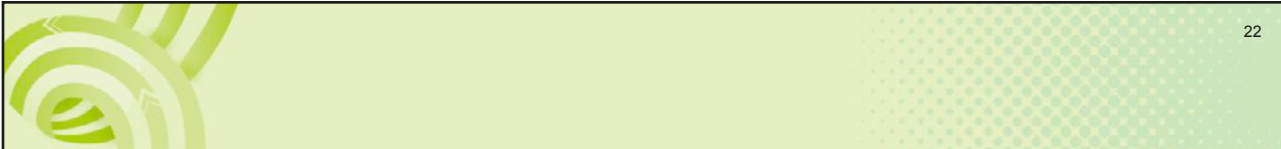
21

A Request to Serve as Treasurer

If a CPA is asked to volunteer to serve as the treasurer for a nonprofit:

- CPA may serve as treasurer or as any officer without licensing issues
- CPA may prepare financial statements as treasurer for the entity without any licensing issues

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UPDATE ON RULES AND REGULATIONS

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Single License Renewal Date

- Expiration date will now be June 30 for all licensees
- License may be renewed up to 90 days prior to expiration
- Non-refundable renewal fee is \$60 for individual and \$75 for firm



No Late Renewals

- No additional 12-month period to renew license
- Automatic Expired status the day after renewal is due
- Must apply for reinstatement and pay reinstatement fee of \$350 for individual and \$500 for firm
- Responsibility for renewing a license rests with the licensee



APPENDIX IX: Presentation

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New Renewal Date Will Not Impact CPE

In any three-calendar-year reporting cycle a CPA must have obtained:

- 120 hours
- Minimum 20 hours per year
- Virginia-specific Ethics course — 2 hours per year
- 8 hours of accounting & auditing per year for those who release or authorize release of reports



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Case Study: The Math for Matt

- Matt Walker, CPA, has been actively licensed in Virginia since October 2007. He is currently planning his CPE for 2019 and is concerned that he takes the proper number of hours.
- What is the total number of hours that Matt needs to take in 2019?



Snapshot of Virginia

Virginia Board of Accountancy Licensee Statistics

As of year-end 12/31/2018

Individuals	
Number of Active, licensed CPAs	26,614
Number of Active — CPE Exempt, licensed CPAs	1,677
Number of Active — Renewal Fee Delinquent (<12 months), licensed CPAs	0
Number of out-of-state licensees	8,478
Reinstatements — Individuals	162
Number of new CPA licenses issued	1,097
Firms	
Number of active, licensed CPA firms	1,169
Number of Active — Renewal Fee Delinquent (<12 months), licensed CPA firms	0
Reinstatements	8
Number of new CPA firm licenses issued	57
Exam Candidates	
Number of first time candidates applying to sit for CPA exam	1,720



Snapshot of Virginia

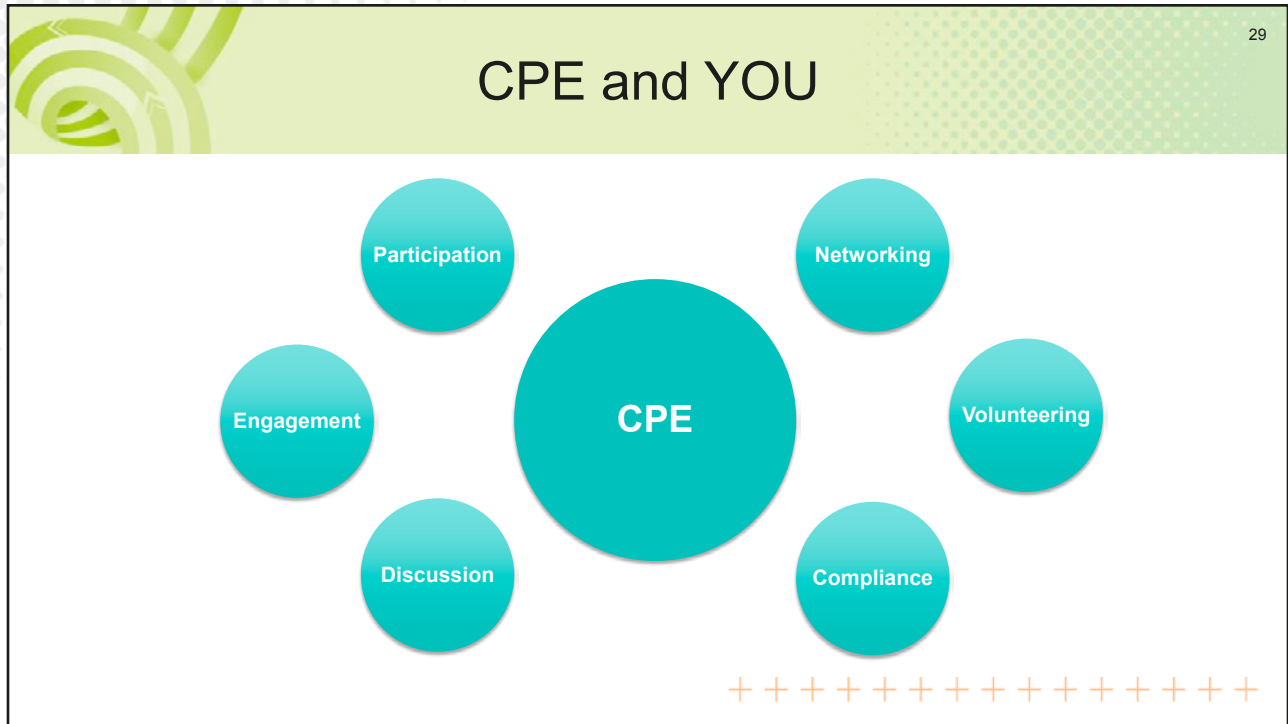
Virginia Board of Accountancy Licensee Statistics

As of year-end 12/31/2018

Enforcement	
Number of complaints	62
Types of complaints:	
• Unlicensed activity	12
• Other disciplinary matters	50
CPE Audits	
Number of CPE audits requested	2,435
Status of CPE Audits:	
• Number of CPE audits resulting in compliance	1,701
• Number of CPE audit deficiencies	316
• Number of CPE audit deficiencies resulting in surrender of license	28
• Number of CPE audit deficiencies resulting in suspension of license	26
• Number of CPE audits open/pending review	396



APPENDIX IX: Presentation



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- ## CPE Documentation Requirements
- Licensees must retain CPE documentation for the four calendar years preceding the current calendar year
 - For CPE takers: Certificate of completion (see Appendix IV) or official college/university transcript
 - For instructors: Syllabus/agenda and length of presentation
 - For writers: Copy of published article, book or written material, or proof of publication
- +++++

Approved: Active — CPE Exempt Status

- CPA must apply for the Active — CPE Exempt status and be approved before ceasing CPE
- Licensee is considered actively licensed and may use the CPA title
- Licensee cannot provide services to the public or to or on behalf of an employer which require the substantial use of accounting, finance, tax or similar skills



Active — CPE Exempt Status

Examples	
<p>Generally qualify for Active — CPE Exempt</p> <ul style="list-style-type: none"> • Retired • Not employed • Missionary • Teacher (non-accounting) <ul style="list-style-type: none"> • Medical doctor • Stay-at-home parent • President/CEO of large company 	<p>Do not qualify for Active — CPE Exempt</p> <ul style="list-style-type: none"> • Chief financial officer (CFO) <ul style="list-style-type: none"> • Tax attorney • Director of finance • Comptroller/Controller <ul style="list-style-type: none"> • Accountant • Budget analyst/Manager <ul style="list-style-type: none"> • Accounting professor



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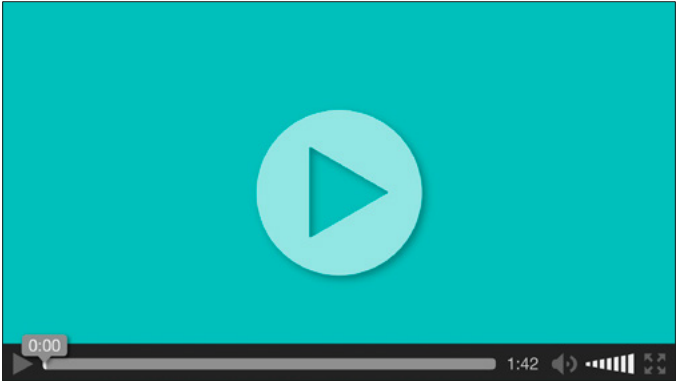
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CHANGES TO THE AICPA CODE OF PROFESSIONAL CONDUCT

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What Changed in Ethics Codification



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Recent Changes to the Code

Section	Title	Effective Date
0.400.03	Attest Client	Revised December 2017 Effective Dec. 31, 2017
0.400.07	Client	Revised December 2017 Effective Dec. 31, 2017
1.400.200	Records Requests	Revised December 2017 Effective Dec. 31, 2017
2.130.010	Knowing Misrepresentation in the Preparation and Presentation of Information	Revised June 2017 Effective Aug. 31, 2017
2.170	Pressure to Breach the Rules	Added June 2017 Effective Aug. 31, 2017
1.295.143	Hosting Services	Added June 2017 Effective July 1, 2019

Source: AICPA Code of Professional Conduct



Case Study

Unbiased Data



APPENDIX IX: Presentation

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STAYING ON THE ETHICAL COURSE



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Poor Communication

- Poor communication is costly
 - Companies lose approximately \$62.4 million per year because of inadequate communication to and between employees
- Poor communication may be caused by:
 - Inaccurate language
 - Lack of integrity



Good Communication Is Ethical

- Ethical communication involves:
 - Transparency
 - Congruence between words and actions
- Ethical communication may be difficult to practice in high-stress situations, such as when employees are at odds with each other



Mediation Using Ethical Communication

- Techniques for Successful Mediation (taken from SHRM):
 - Reflecting
 - Summarizing
 - Questioning
 - Checking-In
 - Caucusing
- Mediator should maintain:
 - Clear guidelines for communication
 - Exemplify a willingness to do what one says



APPENDIX IX: Presentation




Ethical Communication Goals

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- Encourage openness
- Be vulnerable
- Build trust
- Facilitate growth

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Online Presence

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- Everything a CPA does online is part of his or her online presence
- How a CPA appears to the public represents:
 - Employer
 - Accounting profession
 - CPA credential

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Biggest Social Media Scams in 2018



5 Tips to Reduce Social Media Fraud

- Vet your social circle
- Don't give out personal information
- Improve and don't reuse passwords
- Update your privacy settings
- Understand the agreements you enter online



APPENDIX IX: Presentation

Cybersecurity — Profession Must Step Up

- CGMA survey results:
 - 95 percent of respondents stated that they were concerned with the threat of database breaches, distributed denial of service (DDoS) attacks, phishing scams and other cyberattacks
 - 30 percent said that they had fallen victim to a cyberattack in the last two years (22 percent in 2014)
 - 72 percent of the sampled companies had asked their finance function to take more responsibility to mitigate these risks



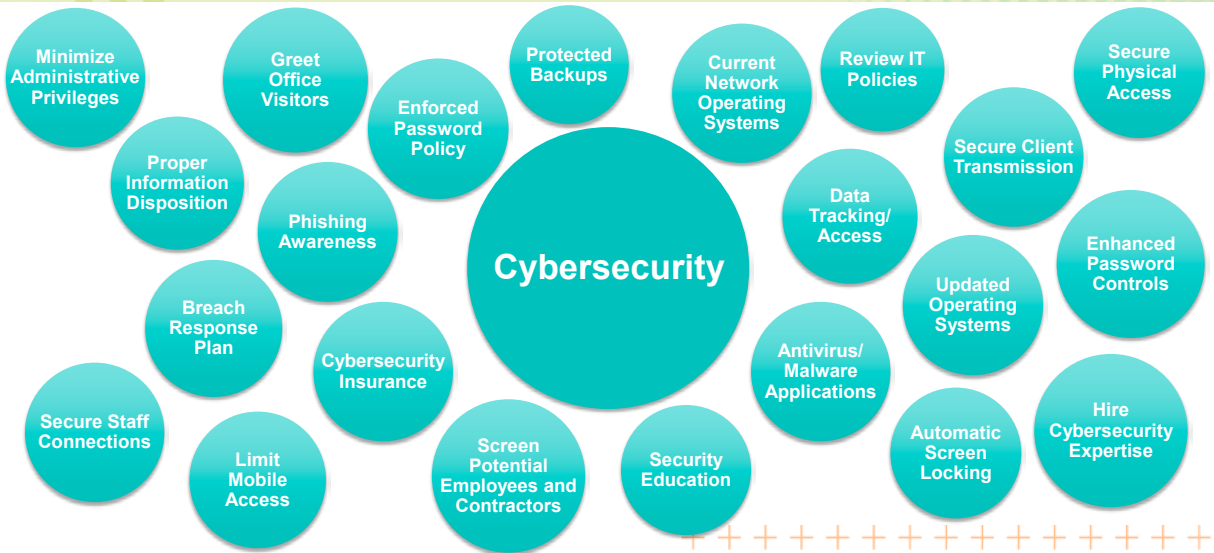
Cybersecurity

AICPA Cybersecurity Resource Center



Developing Organizational Thinking Around Cybersecurity — Tactical Level

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Next Steps

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- Complete evaluation at surveymonkey.com/r/2019VAEthics (which will also be emailed to you)
- Check the status of your CPA license (and firm license, if applicable)
- Check your CPE information in the VBOA tracker
- Visit vscca.com/EthicsResources for updates

