



REGULATORY **2025** **ETHICS**

Approved by the Virginia Board of Accountancy



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INTRODUCTION

The CPA profession in Virginia, like in many other states, is governed by a complex framework of laws, regulations, and ethical standards. As a CPA, you are expected to adhere to these guidelines, maintain the highest level of professional integrity, and act in the public interest.

This course is designed to provide you with a comprehensive understanding of the regulatory and ethical landscape of the accounting profession in Virginia. We will explore the key principles of professional ethics, the role of the Virginia Board of Accountancy (VBOA), and the specific regulations that govern the practice of public accounting in the state.

By the end of this course, you will be equipped to:

- Explain differences between statutes, regulations, policies and ethics
- Apply ethical judgment using the AICPA Code of Professional Conduct
- Summarize rules governing the CPA profession in Virginia
- Identify CPE requirements needed to maintain your CPA license

Let's embark on this journey together to explore the ethical dimensions of the accounting profession and ensure that you are well-prepared to meet the challenges of today's complex regulatory environment.

UNDERSTANDING THE VBOA AND VSCPA

Who is VBOA?

The [Virginia Board of Accountancy](#) (VBOA) is a self-funded state agency dedicated to protecting the public interest by regulating CPAs and CPA firms in Virginia. They achieve this through a multi-pronged approach:

- **Maintaining Licensing Standards:** The VBOA sets and administers exams, licenses individuals and firms, and ensures ongoing compliance through continuing education audits.
- **Enforcing Ethical Conduct:** They investigate complaints against licensed CPAs and firms, ensuring adherence to professional standards. This includes pursuing cases against those who misuse the CPA designation or perform restricted services without proper licensure.
- **Promoting Professional Development:** The VBOA mandates continuing education for CPAs and oversees peer reviews for CPA firms, fostering a culture of professional growth and accountability.

Board Composition and Transparency:

The VBOA comprises seven members appointed by the Governor: four practicing CPAs, one educator in accounting (also a CPA), one public member, and one former or current CPA from industry or government. Each member serves a four-year term with a two-term limit.

Meetings are held at least six times annually, open to the public with a designated public comment period. Agendas, minutes, and meeting schedules are readily available online for transparency (<https://townhall.virginia.gov>).

Overseeing the CPA Landscape in Virginia:

The VBOA actively monitors the state's CPA profession by tracking data such as licensee figures, exam candidates, and disciplinary actions. This comprehensive view allows them to identify trends and proactively address issues.

In summary, the VBOA plays a vital role in ensuring the competency and ethical conduct of CPAs in Virginia. Their dedication to protecting the public through regulation and oversight fosters a trusted and reliable accounting profession within the Commonwealth.

Who is VSCPA?

The [Virginia Society of CPAs](#) (VSCPA) is a professional organization dedicated to empowering the CPA profession to thrive. It provides its members with resources, education, and advocacy to ensure they maintain the highest standards of the profession. The VSCPA also plays a crucial role in representing the interests of CPAs to regulatory bodies and the public.

In addition to supporting its members, the VSCPA is committed to promoting the value of CPAs in the community. Through various initiatives and volunteer opportunities, the organization encourages CPAs to give back and contribute to the public good. By fostering a strong professional community, the VSCPA helps ensure that CPAs in Virginia are well-equipped to meet the evolving demands of the profession.

Governance and Leadership

The VSCPA is governed by a Board of Directors elected annually by its members. This Board delegates day-to-day operations to the staff, led by the CEO. The Board comprises seven Executive Committee members (Chair, Chair-Elect, four Vice-Chairs, and the CEO) and ten at-large directors. The CEO is responsible for executing the Board's directives and utilizes the resources of the VSCPA staff to achieve these goals.

Key Differences

The VBOA is a state regulatory agency tasked with protecting the public interest in Virginia. It achieves this by overseeing the licensing and regulation of CPAs and CPA firms. This includes administering exams, issuing licenses, enforcing ethical standards, and conducting continuing professional education (CPE) audits and peer reviews. The VBOA's authority is granted by the Commonwealth of Virginia.

The VSCPA is a voluntary professional organization for CPAs in Virginia. Its primary focus is on supporting its members by providing valuable resources, continuing education, and advocacy. The VSCPA also plays a vital role in promoting the value of the CPA profession to the public.

The following chart shows an overview of the main differences:

VBOA	VSCPA
A State Agency	A voluntary membership organization
Mission – to protect the public	Mission – to help CPAs thrive
Grants CPA licenses to individuals and firms	Has no licensing authority
Has regulatory authority	Has no regulatory authority
Has an enforcement process	Has no enforcement authority
Audits CPE for compliance	Provides CPE to help CPAs maintain license

LEGAL AND ETHICAL FRAMEWORK

Legally Speaking

Public expectations shape the laws enacted by our representatives. These laws often aim to motivate ethical behavior or punish unethical actions, ultimately seeking to foster a society governed by rules.

While the CPA profession has historically self-regulated, with notable exceptions like Sarbanes-Oxley and the PCAOB, state laws, such as those in Virginia, play a crucial role in licensing and regulating CPAs. State boards of accountancy, established by law, oversee the profession's activities, often incorporating the American Institute of CPAs (AICPA) Code of Professional Conduct as a foundational ethical guideline.

Virginia's Code of Virginia [§ 54.1-4413.3\(4\)](#) explicitly mandates that licensed CPAs adhere to the AICPA Code of Professional Conduct and its related interpretive guidance. This legal requirement positions the AICPA Code as an additional layer of ethical standards.

While often perceived as a mere rulebook, the AICPA Code recognizes its broader societal implications. It emphasizes the importance of voluntary compliance, peer reinforcement, and, as a last resort, disciplinary action to ensure ethical conduct.

Beyond legal compliance and the [AICPA Code](#), the Virginia Board of Accountancy (VBOA) establishes policies to further interpret and implement regulations. These policies, while authoritative, carry less weight than statutes and regulations.

The AICPA Code's reference to public perception and societal expectations underscores the need for ethical decision-making that transcends mere legal compliance. CPAs are expected to not only follow the rules but also to make morally sound judgments. This implies that, after considering legal and professional standards, CPAs may employ additional ethical frameworks to guide their decisions.

Ethical Expectations

Situations may arise where laws, rules, and codes of conduct cannot adequately address specific ethical dilemmas. In such cases, CPAs must rely on their individual approach or methodology for solving ethical issues. The very nature of ethical decision-making is based on the reality that each person is ultimately the final judge of their own moral decisions. The public expects CPAs to make decisions that are not only legally compliant but also morally acceptable. This expectation places additional pressure on CPAs to uphold high ethical standards in their practice.

The interplay between legal compliance, professional codes of conduct, and public expectations creates a framework within which CPAs must operate. By adhering to these standards, CPAs can maintain the trust and confidence of the public, thereby upholding the integrity of the profession.

CODE OF PROFESSIONAL CONDUCT

What Is It?

The AICPA Code of Professional Conduct is incorporated in the Code of Virginia (statute) by reference in evergreen fashion – i.e. statute automatically updates as Code of Conduct changes.

- **§ 54.1-4413.3. Standards of conduct and practice.**
4. Follow the Code of Professional Conduct, and the related interpretive guidance, issued by the American Institute of Certified Public Accountants, or any successor standard-setting authorities.

It is fluid and designed to be used for situations encountered by CPAs in all types of positions and organizations. It establishes the rules for acting with integrity and objectivity, professional competence and due care, confidentiality and professional behavior.

- Public trust principle - members should accept the obligation and act in a way to serve the public interest, honor the public trust, and demonstrate a commitment to professionalism.

Principles

The AICPA Code of Professional Conduct is a cornerstone of ethical behavior for CPAs. It outlines the principles of integrity, objectivity, and due care, which are essential for maintaining public trust.

- **Due care** – a member should observe the profession's technical and ethical standards, strive continually to improve competence and the quality of services, and discharge professional responsibility to the best of the member's ability.
- **Integrity** – acting with honor; adherence to moral principles and an ethical code
- **Objectivity** – exercising professional judgement; basing opinions on facts and circumstances

CPAs are expected to adhere to these principles not only to comply with regulations but also to uphold the profession's reputation. The public relies on CPAs to provide accurate and honest financial information, making adherence to the Code crucial.

Conceptual Framework

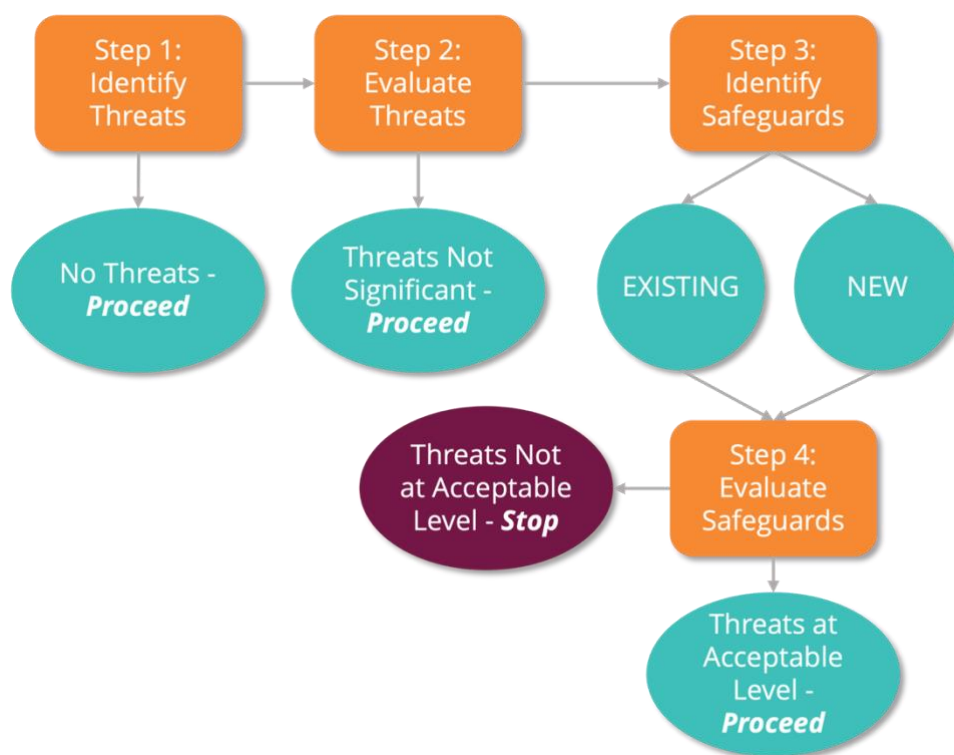
Compliance with the AICPA Code involves more than just following rules; it requires a commitment to ethical decision-making. Laws, codes, rules, regulations, and policies may not always provide adequate solutions. In these instances, the AICPA provides a conceptual framework to apply when assessing compliance with the Code of Professional Conduct. The conceptual framework approach recognizes that the Code cannot possibly address every conceivable situation and provides a formalized process to apply professional judgment that may be required. The conceptual framework provides guidance on identifying, evaluating and addressing threats to compliance with the rules that results from a relationship or circumstance not otherwise addressed in the Code. The following are the steps of the conceptual framework:

- **Step 1:** Identify threats to compliance with the rules. If no threats, then proceed with service. If threats are identified, proceed to Step 2.
 - Ask yourself, "Does this relationship or circumstance create a threat to complying with the rules?" If yes, the significance of the threat needs to be evaluated in the second step.

- **Step 2:** Evaluate the significance of the threats to determine whether the threats are at an acceptable level. If threats are at an acceptable level, then proceed with service. If threats are not at an acceptable level, proceed to Step 3.
 - Ask yourself if the threat is at an acceptable level. A threat is at an acceptable level when a reasonable, informed third party who is aware of the relevant information would be expected to conclude that the threat would not compromise compliance with the rules. Consider both qualitative and quantitative factors when evaluating the significance of a threat. If you conclude that a reasonable, informed third party who is aware of the relevant information would be expected to conclude that the threat would not compromise compliance with the rules, then the threat is at an acceptable level and no further evaluation is required. If you conclude that the threat is not at an acceptable level, then you need to proceed to the third step.
- **Step 3:** Identify safeguards that can be applied. Safeguards can be existing safeguards or new safeguards.
 - Ask yourself what safeguards are in place or could be put in place. When identifying safeguards, remember that one safeguard might eliminate or reduce several threats. However, it might also be necessary to identify several safeguards to eliminate or reduce just one threat. After you have identified new and existing safeguards, proceed to the fourth step.
- **Step 4:** Evaluate the safeguards to determine if they eliminate or reduce threats to an acceptable level. Where you conclude that threats are at an acceptable level after applying safeguards, proceed with service. In some cases, an identified threat may be so significant that no safeguards will eliminate it or reduce it to an acceptable level, or you may be unable to implement effective safeguards. Under such circumstances, providing the specific professional services would compromise your compliance with the rules and you would need to determine whether to decline or discontinue the professional services or resign from the engagement.
 - Ask yourself if the safeguards eliminate or reduce the threat to an acceptable level. If they do, no further action is required. If they do not, providing the specific professional services would compromise your compliance with the rules and you would need to determine whether to decline or discontinue the professional services or resign from the engagement.

It is important to note that the conceptual framework only applies when no guidance in the Code exists. Failure to use the conceptual framework under those circumstances would constitute a violation of the Code. However, the conceptual framework cannot be used to override existing requirements or prohibitions specifically addressed in the Code.

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. Failure to prepare this documentation would be considered a violation of the "Compliance With Standards Rule."



Conceptual Frameworks for Specific Groups

The Code provides conceptual frameworks for members in public practice and members in business that are designed to help members analyze relationships and circumstances applicable to their line of work.

Step 1 of each framework is to identify threats. Many threats fall into one or more of seven broad categories: adverse interest, advocacy, familiarity, management participation, self-interest, self-review and undue influence. Each framework provides definitions and examples of these threats as applicable to members in public practice and members in business.

Definitions and selected examples are provided below. You can refer to the Code for the full list of examples.

	Members in public practice	Members in business
Adverse interest threat	<p>The threat that a member will not act with objectivity because the member's interests are opposed to the client's interests.</p> <p>Example: The client has expressed an intention to commence litigation against the member.</p>	<p>The threat that a member will not act with objectivity because the member's interests are opposed to the interests of the employing organization.</p> <p>Example: A member has charged or expressed an intention to charge the employing organization with violations of law.</p>

Advocacy threat	<p>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.</p> <p>Example: A member provides forensic accounting services to a client in litigation or a dispute with third parties.</p>	<p>The threat that a member will promote an employing organization's interests or position to the point that his or her objectivity is compromised.</p> <p>Example: 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.</p>
Familiarity threat	<p>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.</p> <p>Example: A member's immediate family or close relative is employed by the client.</p>	<p>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.</p> <p>Example: A member uses an immediate family's or a close relative's company as a supplier to the employing organization.</p>
Management participation threat	<p>The threat that a member will take on the role of client management or otherwise assume management responsibilities, which may occur during an engagement to provide non-attest services.</p>	N/A
Self-interest threat	<p>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.</p> <p>Example: The member has a financial interest in a client and the outcome of a professional services engagement may affect the</p>	<p>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.</p> <p>Example: A member's immediate family or close relative has a financial interest in the employing organization.</p>

	fair value of that financial interest.	
Self-review threat	<p>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.</p> <p>Example: The member relies on the work product of the member's firm.</p>	<p>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.</p> <p>Example: When performing an internal audit procedure, an internal auditor accepts work that he or she previously performed in a different position.</p>
Undue influence threat	<p>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.</p> <p>Example: The firm is threatened with dismissal from a client engagement.</p>	<p>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.</p> <p>Example: A member is pressured to become associated with misleading information.</p>

Remember, after you identify threats, you must then evaluate threats, as dictated by Step 2.

Step 3 of each framework is to identify safeguards. Each framework provides categories and examples of these safeguards as applicable to members in public practice and members in business. Categories and selected examples are provided below. You can refer to the Code for the full list of examples.

Members in Public Practice

Safeguards that may eliminate a threat or reduce it to an acceptable level for members in public practice fall into three broad categories:

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

Examples:

- Education and training requirements on independence and ethics rules.
- Continuing education requirements on independence and ethics.
- Professional standards and the threat of discipline.

2. Safeguards implemented by the client.

(Note: It is not possible to rely solely on safeguards implemented by the client to eliminate or reduce significant threats to an acceptable level).

Examples:

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

3. Safeguards implemented by the firm, including policies and procedures to implement professional and regulatory requirements.

Examples:

- Firm leadership that stresses the importance of complying with the rules and the expectation that engagement teams will act in the public interest.
- Policies and procedures that are designed to implement and monitor engagement quality control.
- Documented policies regarding the identification of threats to compliance with the rules, the evaluation of the significance of those threats and the identification and application of safeguards that can eliminate identified threats or reduce them to an acceptable level.

Members in Business

Safeguards that may eliminate a threat or reduce it to an acceptable level for members in business fall into two broad categories:

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

Examples:

- Education and training requirements on ethics and professional responsibilities.
- Continuing education requirements on ethics.
- Professional standards and the threat of discipline.

2. Safeguards implemented by the employing organization.

Examples:

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

Remember, after you identify safeguards, you must then evaluate safeguards, as dictated by Step 4.

Independence Conceptual Framework

The Code also contains an independence conceptual framework and states:

“It is impossible to enumerate all relationships or circumstances in which the appearance of independence might be questioned. Thus, in the absence of an independence interpretation that addresses a particular relationship or circumstance, a member should evaluate whether that relationship or circumstance would lead a reasonable and informed third party who is aware of the relevant information to conclude that there is a threat to either the member’s or firm’s independence or both, that is not at an acceptable level. When making that evaluation, a member should apply the conceptual framework approach as outlined in this interpretation to analyze independence matters.

The conceptual framework approach entails identifying threats and evaluating the threat that the member would not be independent or would be perceived by a reasonable and informed third party who is aware of the relevant information as not being independent. The member must eliminate or reduce that threat to an acceptable level to conclude that the member is independent. Threats are at an acceptable level either because of the types of threats and their potential effect or because safeguards have eliminated or reduced the threat, so that a reasonable and informed third party who is aware of the relevant information would perceive that the member’s professional judgment is not compromised.”

CPAs should be mindful of any relationships or circumstances that could potentially compromise their independence. A systematic approach should be followed to identify and address these threats and take appropriate safeguards to ensure that professional judgment is not compromised.

AICPA Resources

The AICPA offers several additional resources to help you as you navigate situations in your professional career as a CPA.

Ethics Hotline

- 1-888-777-7077 (select option 2, then 3) or email ethics@aicpa.org

Online Professional Ethics Library

- <https://pub.aicpa.org/codeofconduct/Ethics.aspx>
 - AICPA Code of Professional Conduct
 - Plain English Guide to Independence
 - Ethics Q&As

Professional Ethics Resources page

- <https://us.aicpa.org/interestareas/professionalethics/resources>
 - Toolkits
 - Practice aids
 - Implementation guides

Ethically Speaking podcast

- <https://ethicallyspeaking.libsyn.com>
 - Back to Basics series

INDIVIDUAL AND FIRM LICENSURE

Understanding how CPAs are regulated in Virginia is key to the competence and success of licensees throughout their careers. The remainder of this course is designed to highlight key items every CPA practicing in Virginia needs to know to maintain compliance. This begins with understanding **individual** and **firm CPA licensure** and **renewal**.

Individual CPA License

Aspiring CPAs in Virginia must fulfill the "3 E's" before applying for licensure: **Education, Examination, and Experience**.¹

Education: You can sit for the CPA exam after completing 120 credit hours and obtaining a bachelor's degree or higher with an accounting concentration or its equivalent.

Examination: To become licensed, you need 150 credit hours and to pass all sections of the CPA exam with a score of 75 or higher within a 30-month period.

Experience: You must also complete at least 2,080 hours (one year of full-time work) using accounting, financial, tax, or other relevant skills.

Licensure:

Virginia offers two license statuses: **Active** and **Inactive**. Both allow you to use the "CPA" designation.

- **Active License:** This is for CPAs actively working in accounting, finance, tax, or related fields. It requires fulfilling the VBOA's continuing professional education (CPE) requirements.
- **Inactive License:** This is for CPAs whose current job duties don't require accounting skills (as determined by the VBOA). It exempts you from CPE requirements but requires annual license renewal.

License Renewal and Inactivation:

All Virginia CPA licenses must be renewed by June 30th each year, regardless of status. Renewal notices are sent via email 120 days prior, with reminders following. Licensees who no longer need an active license are encouraged to voluntarily surrender it with the VBOA before expiration.

For more information on inactive status application and renewal details, visit the VBOA website: <https://boa.virginia.gov/individual-cpas/inactive-status/>

Firm CPA License

[§ 54.1-4412.1](#). Licensing requirements for firms.

A firm CPA license is required to provide attest, compilation or financial statement preparation services to persons or entities located in Virginia. Requirements for firm licensure include:

¹ Subject to change based on [Virginia House Bill 2042](#).

- A firm **must hold** a Virginia firm CPA license or a firm license from another state **to use the CPA title in Virginia**. **This is an update to the Code of Virginia which became effective July 1, 2024.** Under previous law, the ability of a firm to use the CPA title in Virginia was conditioned upon the ownership percentage of the firm. At least 51% of a firm needed to be vested in CPA licensees for the firm to be able to use the CPA title. Using the CPA title in Virginia means the use of “CPA,” “Certified Public Accountant,” or “public accountant” in any manner of communication by any person, firm or entity to persons or entities located in Virginia portraying such person, firm, or entity as being licensed. This update does not change the need for a firm to obtain a firm license if it provides attest, compilation, or financial statement preparation services.
- Pay the non-refundable \$100 firm license application fee.
- An individual who releases or authorizes the release of reports on attest services, compilation services, or financial statement preparation services must obtain a minimum of 8 hours annually of CPE related to attest services, compilation services, or financial statement preparation services.
- Firms must provide that persons who release or authorize the release of reports on attest services, compilation services, or financial statement preparation services possess competencies that include:
 - Required technical proficiency.
 - Familiarity with the industry and the person or entity.
 - Skills that indicate sound professional judgment.
 - Other competencies necessary under the circumstances.
- The firm must conduct its attest services, compilation services, or financial statement preparation services in conformity with the standards of conduct and practice.
- The firm may be enrolled in a monitoring program of the American Institute of Certified Public Accountants or another VBOA-approved monitoring program.
- The firm’s name must not be false, misleading or deceptive.
- All firms applying for CPA licensure must provide a copy of their certificate of incorporation or organization from the Commonwealth of Virginia’s [State Corporation Commission](#). Sole proprietors are exempt from this requirement.
- Find all requirements for firms online in the [Code of Virginia](#) and on the [VBOA’s website](#). You can apply for a firm license by visiting the VBOA website. You will need to submit your organizational documents when you apply. The documents needed will depend on your business structure.

Firm Reciprocity

A firm whose principal place of business is not in Virginia **may not use the CPA title in Virginia** unless it holds a Virginia license, or the license of another state as permitted.

Firms not required to obtain a Virginia license may provide attest services, compilation services, or financial statement preparation services to Virginia persons or entities if the firm is lawfully able to provide these services in the state where their principal place of business is located. Firm personnel who work on the engagement must either hold a Virginia license or hold a substantially equivalent license from another state. Firms must also comply with statutory requirements concerning firm ownership, firm names and practice monitoring.

Peer Review

Pursuant to [§ 54.1-4412.1, D.6](#) of the Code of Virginia, Virginia CPA firms are required to enroll in a peer review program if they provide attest and/or compilation services. If the firm’s highest level of service provided is financial statement preparation services, enrollment in peer review is not required. However, if a firm is enrolled in peer review and performs financial statement preparation services, those services will

be included within the scope of the peer review. Currently, all firms required to undergo peer review must be enrolled in the AICPA's Peer Review Program through an approved administering entity to fulfill this requirement.

Pursuant to Board Regulation [18VAC5-22-150](#) and [§ 54.1-4412.1](#) of the Code of Virginia, a firm must comply with all components of the monitoring program in which it is enrolled, except that, depending on the facts and circumstances, the VBOA may waive the requirement for a peer review or grant additional time for complying with the requirement.

Licensed Virginia CPA firms will be selected for a compliance review of their peer review as a component of any open investigation (enforcement case), or in situations where the VBOA believes that a peer review compliance review is warranted.

CONTINUING PROFESSIONAL EDUCATION (CPE)

CPE Requirements

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 continuing professional education, or CPE.

You will need to earn CPE to maintain your Active license status. Important to note: If this is your first calendar year with your license, no CPE is required for initial licensure if the application is submitted within the same calendar year in which you passed the CPA Exam.

If an applicant has not held a CPA license in any other state and applies for a Virginia license after the end of the calendar year in which the applicant passed the Exam, CPE must be obtained prior to applying for a Virginia license.

Active CPAs must complete the required 120 CPE hours over a rolling three-year period, with a minimum of 20 hours annually. The CPE requirement also includes completing the two-hour VBOA-approved ethics course² annually and eight hours of accounting and auditing ethics courses, if applicable. The minimum hours needed for applicants who apply for licensure by the end of the first calendar year after the calendar year in which the CPA Exam is passed is 40 hours.

Requirements for CPE are found in VBOA regulations [18VAC5-22-90](#) and [18VAC5-22-140](#) and in the chart below.

Status	Calendar Year (CY)	Total Hours Required	Minimum Hours Required	VBOA-Approved Ethics (included in total hours)	CPE related to attest, compilation, or financial statement preparation services (included in total hours)
Applying for Initial License					
License Applicant	CY of passing exam	0 hours	0 hours	N/A	N/A
	1 st CY after exam	40 hours	40 hours	2 hours/CY	N/A
	2 nd CY after exam	80 hours	80 hours	2 hours/CY	N/A
	3 rd CY (or more) after exam	120 hours	120 hours	2 hours/CY	N/A
Licensed					
Active Licensee	CY of initial license	0 hours	0 hours	N/A	N/A
	Any 3-CY reporting cycle	120 hours/ 3 years	20 hours/CY	2 hours/CY	8 hours (only if releasing or authorizing release of reports)
Reinstatement of License					
Inactive/Expired/ Voluntarily Surrender	Current CY	120 hours	120 hours	2 hours/CY	N/A

The VBOA uses a rolling three calendar-year period to determine CPE compliance. This period includes the three calendar years **prior** to the current calendar year. Licensees should not submit CPE documentation during the annual renewal process unless specifically asked by the VBOA. However, CPE documentation must be retained for the four calendar years preceding the current calendar year.

The VBOA recognizes that 50 minutes of CPE participation equals 1 hour of CPE credit.

² This course qualifies for your annual ethics requirement and was approved by the VBOA.

CPE requirements may be adjusted depending upon when a Virginia CPA begins or ceases to provide services to the public or on behalf of an employer.

Licensees who do not work and/or volunteer in positions that require the use of accounting, financial, tax or other skills deemed relevant by the VBOA may apply for the Inactive status. If not approved for this status, licensees must still comply with the CPE requirements. The deadline for obtaining CPE for the previous year is January 31.

What Qualifies?

The VBOA accepts CPE obtained through a variety of forums, providing that the licensee can demonstrate that learning objectives were met. The VBOA does not currently require licensees to obtain CPE from specific or approved sponsors, except for the VBOA-approved ethics course. However, sponsors are encouraged to comply with the Statement on Standards for CPE Programs issued jointly by the AICPA and NASBA. All sponsors should be familiar with [VBOA Policy #2](#).

All licensees, excluding those approved for the inactive status, are required to annually obtain two hours of a VBOA-approved ethics course. In addition, individuals who release or authorize the release of reports on attest, compilation, or financial statement preparation services provided for persons or entities located in Virginia must obtain a minimum of eight hours annually of CPE related to attest, compilation, or financial statement preparation services.

A variety of CPE is acceptable, including:

- **Attending a seminar or educational conference.** Instructors must have up-to-date knowledge of the subject matter and use appropriate teaching materials. Attendance should be monitored in a manner that can be verified by the VBOA.
- **Earning course credit at an accredited college or university.** One semester-hour of credit for courses at an accredited college or university constitutes 15 hours of CPE and one quarter-hour of credit constitutes 10 hours of CPE.
- **Completing a course through nano-learning or incremental CPE.** Nanolearning is known as learning and absorbing information in smaller increments of time. The VBOA accepts nano-learning CPE.
- **Completing a self-study course.** Licensee must be able to demonstrate that learning objectives were met.
- **Making a presentation.** The licensee may present at a professional seminar, educational conference or classroom setting, if up-to-date knowledge of the subject matter is demonstrated and appropriate teaching materials are used. The topic must be relevant to the development of being a CPA. Credits for presentation and preparation time can be earned, with preparation limited to twice the total presentation time. For example, if a program is presented for four contact hours, the instructor could receive up to 12 hours of credit (eight preparation and four contact hours). No additional credit will be given for repeat presentations of the same material. A copy of the presentation material and a copy of the official agenda or course announcement materials including the date, length of presentation and presenters are required. Also, a copy of the participant list, sign in sheet, and/or copy of the CPE certificate provided to participants is needed. If the participant list is not available, a letter from the training sponsor acknowledging the date, time, length and presenter for the course, as well as a statement certifying it was the licensee's first time preparing and teaching the training, is needed.

The definition of presentations made in a classroom setting includes teaching courses at an accredited college or university. College and university instructors, at accredited institutions, may count first time preparation and presentation of a course for CPE. CPE is only permitted the first

time the course is prepared and offered by the instructor. One semester-hour of credit constitutes 15 hours of CPE; one quarter-hour of credit constitutes 10 hours of CPE. A copy of the syllabus and a statement certifying it was the licensee's first time preparing and teaching the section is required. Documentation needs to include a letter from the department head or chair confirming that information.

During each 3-year period, a maximum of 30 hours for preparing and making presentations or teaching courses is allowable.

- **Published articles, books, or CPE programs.** Licensees may receive CPE credit for their research and writing time to the extent it maintains or improves their professional competence. Topics must be relevant to the development of CPAs performing professional services or improve their professional competence. Materials must be formally reviewed by an authoritative independent party and must be published in a book, magazine or similar publication. CPE can be claimed upon publication. Revisions of published materials are not eligible for additional CPE.

Self-study guides and training materials that are produced for a training library and written by a licensee may be counted as CPE. The curriculum must contribute to the accounting profession in providing services to the public or to or on behalf of an employer. As a rule, training materials written and presented by a licensee will be considered for CPE under the presentation guidelines and cannot be claimed under this provision. An independent party, who is a subject matter expert, must formally review all written materials.

During each rolling 3-year period, a maximum of 30 hours CPE is permitted for published materials. CPAs must document the actual time spent.

- **CPE credit for certifications/exams/licensures.** The VBOA has approved CPE hours for passing exams and obtaining additional certifications for the following designations. The CPE hours must not exceed a total of 60 hours over a three-year rolling period.

The VBOA will determine on a case-by-case basis the acceptability of other forms of CPE.

The VBOA has also approved that Continuing Education (CE), Continuing Education Units (CEU), Continuing Legal Education (CLE), Continuing Medical Education (CME), Quality Assurance Service (QAS) and semester and quarter-hour credits are acceptable as CPE credits.

Documentation Requirements

Required CPE documentation includes:

- Certificates of completion from the CPE sponsor including the sponsor' name, participant's name, course/content name, date taken and hours of CPE earned.
- Official transcript of the college or university for earning course credit at an accredited college or university.
- When making a presentation, official syllabus/agenda and signed statement indicating the length of the presentation.
- When teaching a course, a statement certifying it was the licensee's first time preparing and teaching the section is required and a letter from the Department Head or Chair confirming that information.
- When publishing an article or book, or CPE program, a statement from the writer supporting the number of CPE hours claimed. The name and contact information of the independent reviewer(s) or publisher. A copy of the published article, book or written material (or proof of publication), or in

the case of a CPE program, the final course documentation. Copies of materials must list the name of the licensee as author or contributor.

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.

CPE Reciprocity

If a CPA holds an active license in another state and their principal place of business is not located in Virginia, they are eligible for CPE reciprocity. If a CPA meets the CPE requirements in their home state, the VBOA will accept this as CPE compliant in Virginia. However, a CPA must take either an ethics course of at least two hours that conforms with VBOA requirements or an ethics course acceptable to the board of accountancy of another state in which the CPA holds the license.

The CPA must select “CPE reciprocity” during the CPE audit process to be eligible for this exemption.

Substantial equivalency was developed to allow licensed CPAs to practice across jurisdictions more easily. Visit the [NASBA website](#) to view jurisdictions substantially equivalent to Virginia.

Tracking CPE

The [National Association of State Boards of Accountancy](#) (NASBA) sponsored [CPE Audit Service](#) tracks and maintains CPE with a user-friendly interface and helpful how-to videos. This system is available to CPAs at no charge and allows them to keep track of and store all CPE records in one location.

For CPAs who used the previous CPE Tracking System, all historical data, including past course and attendance records, were transitioned to this system.

The CPE Audit Service system includes video tutorials that focus on features and the most commonly used components. The videos are easy to follow and include step-by-step instructions on how to upload CPE certificates, enter the information and submit it to the VBOA. CPAs who are selected for a CPE audit are required to use this system to submit CPE records and documentation to the VBOA. Use of this system does not reflect a final determination of CPE compliance. The VBOA has the final authority on the acceptance of individual courses and documentation for CPE credit.

A licensee may determine on their own that they have a CPE deficiency for a specific reporting period. The licensee should self-report and notify cpe@boa.virginia.gov immediately when they determine a deficiency has occurred.

For questions regarding registering for the CPE Audit Service or trouble accessing an account, contact NASBA through the help line at (844) 273-8722 or CPEauditservice@nasba.org.

For questions regarding CPE, refer to the [VBOA website](#) or contact them at cpe@boa.virginia.gov or by phone at (804) 367-8505.

VOLUNTEER SERVICES

Ready to make a difference? You've got your license, and you're eager to volunteer for a cause you're passionate about. But you're not sure where to start.

The Virginia Board of Accountancy has created a comprehensive guide and a straightforward checklist to assist CPAs in navigating volunteer opportunities.

The most important question to ask is: "**What service will I provide?**" If the service involves attest, compilation, or financial statement preparation, you'll need to carefully consider both Virginia law and professional standards.

Next you must ask the question, "**In what capacity will I be providing the service?**" What's your role? Are you a board member, an officer, or just a volunteer worker? Your role will determine what kind of services you can provide.

For the important questions and answers about volunteering, refer to the VBOA's guidelines, [Providing Volunteer Services as a Virginia CPA](#) (excerpt below):

Type of Service Engaged to Perform	Independent	Not Independent (Owners, officers, employees, & members of governing body)	Not Independent Conflicts of Interest (other than owners, officers, employees, & members of governing body)
Audit, Review, Attestation	You must comply with technical standards, have a firm license, and a peer review. The 8-hour A&A CPE requirement applies.	You cannot provide audit, review, or attestation services if not independent.	You cannot provide audit, review, or attestation services if not independent.
Compilation	You must comply with technical standards, have a firm license, and a peer review. The 8-hour A&A CPE requirement applies.	This is not a compilation service as defined by SSARS.	You must comply with technical standards, have a firm license, and a peer review. The 8-hour A&A CPE requirement applies.
Financial Statement Preparation Services	You must comply with technical standards and have a firm license. The 8-hour A&A CPE requirement applies. No peer review is needed if preparation is the highest form of service provided. Peer review is needed if preparation is not the highest form of service provided.	This is not a financial statement preparation service as defined by SSARS.	You must comply with technical standards and have a firm license. The 8-hour A&A CPE requirement applies. No peer review is needed if preparation is the highest form of service provided. Peer review is needed if preparation is not the highest form of service provided.
Consulting Services (accounting consultation, budget preparation assistance, fraud loss quantification, management consulting, other consulting engagements)	You do not have to comply with technical standards other than Consulting Services standards.		
Other Services (general ledger maintenance, working trial balance preparation, bank reconciliation preparation, bookkeeping and payroll processing, tax returns preparation)	You do not have to comply with technical standards other than Tax Services standards.		
Other Procedures Procedures that would be performed in accordance with an attest service, but licensee has not been engaged to perform an attest service. (bank reconciliation review, internal control review, inventory controls, other attest procedure, agreed-upon procedure of audit committee)	You do not have to comply with technical standards.		

ENFORCEMENT

Part of the Virginia Board of Accountancy's mission is to protect the citizens of the Commonwealth of Virginia through ensuring certified public accountants and certified public accounting firms comply with the VBOA's regulations and the Code of Virginia.

The VBOA upholds this mission through the investigation of potential violations and complaints received against Virginia licensed CPAs and CPA firms. The Board also has jurisdiction to investigate matters involving non-licensees for using the CPA title and the performance of services restricted to licensed CPAs or CPA firms.

Complaints

Enforcement matters can originate from the VBOA itself, the public, including anonymous complaints, or a past or current client. They can also come from local, state and federal agencies. Complaints need to be made in writing and can be submitted online through the VBOA website ([complaint form](#)).

In most cases, the accused party is made aware of the complaint as part of the investigation. That person will receive a copy of the detailed complaint and will have an opportunity to respond. The VBOA will also investigate an anonymous complaint, but it must receive enough information and supporting documents in order to do so.

The VBOA offers complainants assistance by providing checklists for filing complaints against both licensed and unlicensed CPAs and CPA firms. Those checklists are found on the VBOA website.

Where do complaints go from here? All information that indicates or alleges a possible violation of law or regulation is referred to the VBOA Enforcement Division. A preliminary investigation is conducted by reviewing reports and complaints to determine if there is a possible violation and if the VBOA has jurisdiction over the matter. If there's not enough evidence to substantiate a violation of a law or regulation, or if the VBOA does not have jurisdiction, the complaint is closed, and the complainant is notified in writing. In those cases where another regulatory agency or body may have jurisdiction, the matter is also referred to that regulatory agency or body, as appropriate.

On the other hand, if it is determined that a violation of law or regulation may have occurred, a case is docketed for further investigation. The respondent and complainant are notified in writing, and an investigation is initiated.

Investigations

It is the responsibility of the VBOA Enforcement Division to investigate by contacting the respondent and potential witnesses and by obtaining copies of relevant documents and other relevant evidence. The results are fully documented as a written report of the investigative findings and evidence, which is submitted for probable cause determination. Depending upon the nature of the allegation, probable cause review may be conducted by VBOA staff or by a Board member or Board designee.

Upon completion of the investigation and investigative report, a preliminary review is conducted to determine if probable cause exists and if charges should be issued against the respondent. To take disciplinary action against a licensee, the VBOA must have clear and convincing evidence that a violation of law or regulation has occurred. While one may believe that a licensee's action could be considered improper or otherwise deserving of corrective action, it may not always be a violation of law or regulation.

If probable cause is found, the result is typically to offer the respondent a Consent Order, or to issue a notice of Informal Fact-Finding Conference. If probable cause is not found, the complainant and the respondent are notified, and the case is closed.

Consent Order

A Consent Order can be offered to the respondent if sanctions are deemed appropriate. A Consent Order is a potential resolution of the complaint proposed in writing to the CPA, CPA firm or unlicensed individual. If the respondent signs the Consent Order and fully agrees to the terms and conditions, the Consent Order is then brought before the full Board for approval. The Board can then accept or reject the Consent Order, in whole or in part. If the respondent chooses not to sign the order, they may elect to be heard at an administrative Informal Fact-Finding Conference.

Informal Fact-Finding Conference

Informal Fact-Finding (IFF) Conferences can happen based on the probable cause review recommendation or upon a request from the respondent. IFFs are an opportunity for the respondent to discuss the allegations stated in the notice and the evidence contained in the investigative file. In all disciplinary matters and proceedings, the burden of proof rests with the Commonwealth to establish clear and convincing evidence of a violation of law or regulation. An exception is cases involving applicants for initial licensure or reinstatement, who bear the burden of proof to establish evidence that they meet eligibility requirements and are safe and competent to practice.

Before the IFF convenes, the respondent will receive notice of the specific allegations and any information the Board will use to make a determination. The respondent can present factual data, an argument or proof of the facts and circumstances surrounding the alleged violation. The respondent may choose to be represented by counsel at the IFF. The complainant, if not anonymous, can attend the IFF if they choose, and witnesses who are Virginia residents can be subpoenaed.

Board members or Board designees participating in the IFF may be chosen based on their field of interest, their location or their representation of specific disciplines within the practice. One of the Board members will serve as the presiding officer for the IFF. Each of the Board members may ask questions regarding the allegations during the IFF.

IFFs are open to the public and will be posted on the Town Hall Commonwealth Calendar website prior to the meeting date.

Following the IFF, the Presiding Officer makes a recommendation to the full Board for consideration. The recommendation will include findings of fact, conclusions of law and any proposed disciplinary actions or sanctions. The respondent will receive a copy of the recommendation and a transcript of the proceedings. The Board can accept or reject the recommendations in whole or in part. The Final Opinion and Order are entered and signed by the Board chair and noted on the Respondent's record. The Final Opinion and Order is generally published on the VBOA website and in the newsletter. The respondent has 30 days to appeal the Board's final decision to the courts.

In some cases, following the IFF, in lieu of a Presiding Officer recommendation, the respondent may be offered a Consent Order to settle the matter. The respondent can choose to either sign or not. If signed, the Consent Order goes to the full Board for consideration. Consent Orders are generally approved at Board meetings, though a Board member can request it be discussed during a Closed Session. After approval, like the Final Opinion and Order, the Consent Order is noted on the Respondent's record and is generally published on the VBOA website and in the newsletter.

Sometimes there will not be a Consent Order. Either the respondent is not offered one following the IFF, or the respondent will not sign it. If that happens, the presiding officer at the IFF will submit a recommendation to the full Board, and the respondent will receive that recommendation and the transcript

of the proceedings. The Board is allowed to go into a closed session to deliberate if they choose. The Board will then publicly vote and make a final decision. The Board can accept, modify or reject the presiding officer's recommendation, and they can even remand the report back to an IFF for additional consideration.

The Final Opinion and Order are entered and signed by the Board chair and noted on the respondent's record and is generally published on the VBOA website and in the newsletter. The Final Opinion IS, however, subject to the administrative appeals process of Virginia.

Penalties

The VBOA can impose penalties according to Virginia Code. These can range from a reprimand, accelerated peer reviews, satisfactory completion of additional or specific CPE, suspension or revocation of the Virginia individual CPA license or CPA firm license, loss of privilege to perform services in Virginia and/or a monetary penalty up to \$100,000 for each violation. Any monetary penalty collected goes right into the state literary fund and is not available to the VBOA as operating funds.

And, after everything is said and done, and the matter has been closed, the VBOA's investigation, findings, and any disciplinary action is available to the public under the [Virginia Freedom of Information Act](#).

The VBOA is required by statutory mandate to take appropriate action against individuals or firms to ensure the protection of the public. The general statutory mandate provides the VBOA with the authority to investigate possible violations of a law or regulation and provides the VBOA with the authority to enforce these laws by revoking, suspending or restricting a license, or imposing other appropriate sanctions if a violation is proven. In addition to the general statutory mandates and the VBOA's laws and regulations, the disciplinary process is governed by the Virginia Administrative Process Act and by court decisions interpreting the same.

CONCLUSION

The regulatory landscape is constantly evolving, and staying informed is essential for maintaining your CPA license and upholding the public trust. By completing this course, you've taken a significant step towards understanding the ethical dimensions of the accounting profession in Virginia. However, your learning journey doesn't end here. It's crucial to stay updated on changes in regulations, attend continuing professional education (CPE) courses, and actively seek guidance from the VBOA and VSCPA when needed. By doing so, you can ensure that the CPA profession remains a beacon of integrity and public service.

Common Resources

AICPA

<https://www.aicpa-cima.com/>

- Code of Professional Conduct - <https://pub.aicpa.org/codeofconduct/>
- Journal of Accountancy - <https://www.journalofaccountancy.com/>
- Ethically Speaking Podcast - <https://us.aicpa.org/interestareas/professionalethics/ethically-speaking>

Code of Virginia

<https://law.lis.virginia.gov/vacode/>

- Board of Accountancy Regulations - <https://law.lis.virginia.gov/admincode/title18/agency5/chapter22/>

Federal Accounting Standards Advisory Board (FASAB)

<https://fasab.gov/>

Financial Accounting Foundation (FAF)

<https://www.accountingfoundation.org/>

Financial Accounting Standards Board (FASB)

<https://www.fasb.org/>

- Codification - <https://asc.fasb.org/>

Government Accounting Standards Board (GASB)

<https://www.gasb.org/>

International Accounting Standards Board (IASB)

<https://www.ifrs.org/groups/international-accounting-standards-board/>

NASBA Statement on Standards for CPE Programs

<https://www.nasbaregistry.org/the-standards>

Public Company Accounting Oversight Board (PCAOB)

<https://pcaobus.org/>

- Independence and Ethics Rules and Standards (including AICPA Code of Professional Conduct references) - <https://pcaobus.org/oversight/standards>

U.S. Comptroller General
<https://www.gao.gov/about/comptroller-general>

U.S. Government Accountability Office (GAO)
<https://www.gao.gov/>

U.S. Internal Revenue Service (IRS)
<https://www.irs.gov/>

U.S. Securities and Exchange Commission (SEC)
<https://www.sec.gov/>

Virginia Board of Accountancy

<https://boa.virginia.gov/>

- VBOA Policies - <https://boa.virginia.gov/about/board/vboa-policies/>
- Providing Volunteer Services as a Virginia CPA - https://boa.virginia.gov/wp-content/uploads/2021/06/VolunteerServices_2019.pdf

Virginia Regulatory Town Hall

<https://townhall.virginia.gov/L/meetings.cfm>

Virginia Society of CPAs

<https://www.vscpa.com/>

- Ethics Resource Page - <https://www.vscpa.com/EthicsResources>

APPENDIX: ACRONYMS & GLOSSARY

Common Acronyms & 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

Glossary of Common Terms

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.

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.

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. 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.

Professional judgment is the application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.

Professional skepticism is an attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of audit evidence.

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 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

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

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.