



**RULE-MAKING ORDER**  
(RCW 34.05.360)

**CR-103** (10/1/89)

Agency: Board of Accountancy

- Permanent Rule  
 Emergency Rule

(1) Date of adoption: September 23, 1993

(2) Purpose: General housekeeping--reorganizes WAC sections numbering

(3) Citation of existing rules affected by this order: New sections: WAC 4-25-600, 610, 620, 622, 630, 631, 640, and 661  
Repealed:  
Amended: See attached for titles  
Suspended:

(4) Authority for adoption:  
Statute: RCW 18.40.055  
Other Authority:

**(5.1) PERMANENT RULE ONLY**

Pursuant to notice filed as WSR 93-17-076 on August 17, 1993 (date).

Describe any changes other than editing from proposed to adopted version:

**(5.2) EMERGENCY RULE ONLY**

Pursuant to RCW 34.05.350 the agency for good cause finds:

- (a) That immediate adoption, amendment, or repeal of a rule is necessary for the preservation of the public health, safety, or general welfare, and that observing the time requirements of notice and opportunity to comment upon adoption of a permanent rule would be contrary to the public interest.
- (b) That state or federal law or federal rule or a federal deadline for state receipt of federal funds requires immediate adoption of a rule.

Reasons for this finding:

(5.3) Any other findings required by other provisions of law as precondition to adoption or effectiveness of rule?  
 Yes  No If yes, explain:

(6) Effective date of rule:

<b>Permanent Rules</b>	<b>Emergency Rules</b>
<input checked="" type="checkbox"/> 31 days after filing	<input type="checkbox"/> Immediately
<input type="checkbox"/> Other (specify) _____ *	<input type="checkbox"/> Later (specify) _____

\* (If less than 31 days after filing, specific finding in 5.3 under RCW 34.05.380(3) is required)

**CODE REVISER USE ONLY**

CODE REVISER'S OFFICE  
STATE OF WASHINGTON  
FILED

OCT 28 1993

TIME: 9:03 (10)

WSR: 93-22-046

NAME (TYPE OR PRINT)  
Carey L. Rader

SIGNATURE

TITLE  
Executive Director

DATE  
10/28/93

Attachment to CR-103

Agency: Board of Accountancy

(3) Citation of existing rules affected by this order:

- WAC 4-25-600 Rules of professional conduct--Preamble
- 610 Principles of conduct
- 620 Integrity and objectivity
- 622 Independence
- 630 Competence
- 631 Compliance with standards
- 640 Clients' confidential information
- 661 Improper CPA firm names

NEW SECTION

**WAC 4-25-600 Rules of professional conduct--Preamble.** The rules of professional conduct are intended to provide guidance to all persons using the CPA title in the performance of their professional responsibilities. Compliance with the rules of professional conduct is the responsibility of all CPAs. This responsibility is met by understanding and voluntary actions, reinforcement by peers and public opinion, and ultimately through disciplinary proceedings, when necessary, against CPAs who fail to comply with the rules.

Acceptance of the right and responsibility to use the CPA title includes acceptance of a duty to comply with the rules of professional conduct.

The rules of professional conduct consist of both principles and specific rules. Principles are set forth in WAC 4-25-610 and comprise the framework for the rules of professional conduct. Specific rules are set forth in WAC 4-25-620 through 4-25-699. In the interpretation and enforcement of the rules of professional conduct consideration will be given to codes of other regulatory bodies, where applicable, and codes, interpretations and rulings of appropriate bodies within the profession, standards established by the profession and to any other information which is deemed pertinent to achieving compliance with the rules of professional conduct.

The rules of professional conduct apply to all persons using the CPA title and, specifically, to CPAs in the practice of public accounting as defined in RCW 18.04.025(5), except that a CPA who is engaged in the practice of public accountancy outside the United States will not be subject to discipline by the board for departing, with respect to such foreign practice, from the rules of professional conduct, so long as the CPA's conduct is in accordance with the standards of professional conduct applicable to the practice of public accountancy in the country in which the CPA is practicing. However, even in such a case, if a CPA's name is associated with financial statements under circumstances that would entitle the reader to assume that United States practices are followed, the CPA will be expected to comply with the rules of professional conduct.

NEW SECTION

**WAC 4-25-610 Principles of conduct.** The principles of conduct are as follows:

**Professional demeanor** - In carrying out their responsibilities, professional persons using the CPA title shall exercise professional judgment in all their activities.

**The public interest** - Persons using the CPA title shall accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism.

**Integrity** - To maintain and broaden public confidence persons using the CPA title shall perform all professional responsibilities with the highest sense of honesty.

**Objectivity** - Objectivity is to be maintained by persons using the CPA title. Specifically, persons using the CPA title shall:

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

(2) Be independent in fact and appearance when providing auditing or other attestation services.

**Due care** - Persons using the CPA title shall comply with state law and the profession's technical and ethical standards, maintain competence and strive to improve the quality of services, and discharge professional responsibility to the best of the CPA's ability.

NEW SECTION

**WAC 4-25-620 Integrity and objectivity.** In the performance of professional services a person using the CPA title shall be honest, objective, free of conflicts of interest unless such conflicts are specifically permitted by board rule or professional standards, and shall not misrepresent facts or subordinate his or her judgment to others.

NEW SECTION

**WAC 4-25-622 Independence.** (1) A CPA in public practice must be independent in the performance of the following:

- (a) An audit or review of a financial statement; or
- (b) A compilation of a financial statement when the CPA's report does not disclose a lack of independence; or
- (c) An examination of prospective financial information.

(2) Independence shall be considered to be impaired if, for example, there existed any of the following transactions, interests or relationships in connection with reporting on financial statements:

(a) During the period of a professional engagement, or at the time of expressing an opinion, a CPA or a CPA's firm:

(i) Had or was committed to acquire any direct or material indirect financial interest in the enterprise.

(ii) Was a trustee of any trust or executor or administrator of any estate if such trust or estate had or was committed to acquire any direct or material indirect financial interest in the enterprise.

(iii) Had any joint closely-held business investment with the enterprise or with any officer, director, or principal stockholder thereof which was material in relation to the CPA's net worth or the net worth of the CPA's firm.

(iv) Had any loan to or from the enterprise or any officer, director, or principal stockholder of the enterprise except under certain circumstances for home mortgages, other secured loans, loans not material to the CPA's net worth, and various personal loans.

(b) During the period covered by the financial statements, during the period of the professional engagement or at the time of expressing an opinion, the CPA or a CPA's firm:

(i) Was connected with the enterprise as a promoter, underwriter, or voting trustee, a director or officer or in any capacity equivalent to that of a member of management or of an employee; or

(ii) Was a trustee for any pension or profit-sharing trust of the enterprise.

The foregoing examples are not intended to be all inclusive.

NEW SECTION

**WAC 4-25-630 Competence.** A certified public accountant shall not undertake any endeavor for the performance of services as a certified public accountant that he or she cannot reasonably expect to complete with professional competence.

NEW SECTION

**WAC 4-25-631 Compliance with standards.** A certified public accountant shall exercise due care and professional judgment in order to comply with the pertinent accounting principles, professional standards, regulations, releases and rules (hereinafter referred to as "standards") promulgated by the "appropriate bodies" for each endeavor undertaken. A certified public accountant shall be knowledgeable of federal, state and local law pertinent to the endeavor.

Such "appropriate bodies" include, but are not limited to, the Securities and Exchange Commission; the Financial Accounting Standards Board; the Governmental Accounting Standards Board; the American Institute of Certified Public Accountants; the Internal Revenue Service; federal, state, and local audit, regulatory and tax agencies; and recognized educational and industry institutions.

Such "standards" include, but are not limited to:

- (1) Regulation SX and the accounting series releases of the Securities and Exchange Commission;
- (2) Generally accepted accounting principles and other comprehensive bases of accounting;
- (3) Generally accepted auditing, review, compilation, attestation, consulting and peer review standards;
- (4) Generally accepted government accounting standards;
- (5) Consensus opinions of "appropriate bodies'" Emerging Issues Task Forces;
- (6) Circular 230 of the IRS and "appropriate bodies'" guidance with respect to responsibilities in tax practice;
- (7) Rules governing practice before regulatory agencies; and
- (8) Guidance found in industry publications and textbooks and articles published by recognized accounting professionals or societies.



NEW SECTION

**WAC 4-25-640 Clients' confidential information.** (1) **Confidential client communication.** The term "client" as used throughout this section shall include a former, current, or prospective client.

A licensee or any partner, officer, shareholder or employee of a licensee shall not without the consent of the client or the heirs, successors or personal representatives of the client disclose any confidential communication or information pertaining to the client obtained in the course of performing professional services.

This rule does not:

(a) Affect in any way a licensee's obligation to comply with a validly issued subpoena or summons enforceable by order of a court; or

(b) Prohibit disclosures in the course of a quality review of a licensee's professional services; or

(c) Preclude a licensee from responding to any inquiry made by the board or any investigative or disciplinary body established by law or formally recognized by the board. However, a licensee or any partner, officer, shareholder or employee of a licensee shall not disclose or use to their own advantage any confidential client information that comes to their attention in carrying out their official responsibilities.

(2) **Client records.** A licensee shall furnish to his or her client or heirs, successors or personal representatives, upon request and reasonable notice:

(a) A copy of the licensee's working papers, to the extent that such working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client; and

(b) Any accounting or other records belonging to, or obtained from or on behalf of, the client, that the licensee removed from the client's premises or received for the client's account; but the licensee may make and retain copies of such documents of the client when they form the basis for work done by the licensee.

NEW SECTION

**WAC 4-25-661 Improper CPA firm names.** A firm name is misleading, and thus prohibited if, among other things:

(1) The firm name implies the existence of a corporation when the firm is not a corporation (as by the use of the abbreviations "P.C.," "P.S.," or "Inc. P.S.");

(2) The firm name implies existence of a partnership when there is not a partnership (as in "Smith & Jones, CPA's");

(3) The firm name includes the name of a person who is neither a present nor a past partner or shareholder of the firm; or

(4) The firm name includes the designation "and Associates," "and Assoc.," "and Company," or "& Co." when there are not in fact at least two owners and/or employees who hold a license to practice public accounting.

A fictitious firm name (that is, one not consisting of the names of one or more present or former owners) may not be used by a licensee in the practice of public accounting unless such name has been registered with and approved by the board as not being false or misleading.