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HOUSE BILL 2603

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State of Washington

54th Legislature

1996 Regular Session

By Representatives Cairnes, Scott, Silver, Carlson, Jacobsen, Reams,  
D. Schmidt, Goldsmith, Honeyford, Horn and Basich

Read first time 01/15/96. Referred to Committee on Higher Education.

1 AN ACT Relating to educational requirements for accountants; and  
2 amending RCW 18.04.055 and 18.04.105.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 18.04.055 and 1992 c 103 s 5 are each amended to read  
5 as follows:

6 The board may adopt and amend rules under chapter 34.05 RCW for the  
7 orderly conduct of its affairs. The board shall prescribe rules  
8 consistent with this chapter as necessary to implement this chapter.  
9 Included may be:

10 (1) Rules of procedure to govern the conduct of matters before the  
11 board;

12 (2) Rules of professional conduct for all certificate and license  
13 holders, in order to establish and maintain high standards of  
14 competence and ethics of certified public accountants including rules  
15 dealing with independence, integrity, objectivity, and freedom from  
16 conflicts of interest;

17 (3) Rules specifying actions and circumstances deemed to constitute  
18 holding oneself out as a licensee in connection with the practice of  
19 public accountancy;

1 (4) Rules specifying the manner and circumstances of the use of the  
2 titles "certified public accountant" and "CPA," by holders of  
3 certificates who do not also hold licenses under this chapter;

4 (5) Educational requirements, not to exceed a baccalaureate degree,  
5 to take the certified public accountant examination or for the issuance  
6 of the certificate or license of certified public accountant;

7 (6) Rules designed to ensure that certified public accountants'  
8 "reports on financial statements" meet the definitional requirements  
9 for that term as specified in RCW 18.04.025;

10 (7) Requirements for continuing professional education to maintain  
11 or improve the professional competence of certificate and license  
12 holders as a condition to maintaining their certificate or license to  
13 practice under RCW 18.04.215;

14 (8) Rules governing sole proprietors, partnerships, and  
15 corporations practicing public accounting including, but not limited  
16 to, rules concerning their style, name, title, and affiliation with any  
17 other organization, and establishing reasonable practice standards to  
18 protect the public interest;

19 (9) The board may by rule implement a quality assurance review  
20 program as a means to monitor licensees' quality of practice and  
21 compliance with professional standards. The board may exempt from such  
22 program, licensees who undergo periodic quality reviews in programs of  
23 the American Institute of Certified Public Accountants, National  
24 Association of State Boards of Accountancy, or other programs  
25 recognized and approved by the board;

26 (10) The board may by rule require firms to obtain professional  
27 liability insurance if in the board's discretion such insurance  
28 provides additional and necessary protection for the public; and

29 (11) Any other rule which the board finds necessary or appropriate  
30 to implement this chapter.

31 **Sec. 2.** RCW 18.04.105 and 1992 c 103 s 7 are each amended to read  
32 as follows:

33 (1) The certificate of "certified public accountant" shall be  
34 granted by the board to any person:

35 (a) Who is of good character. Good character, for purposes of this  
36 section, means lack of a history of dishonest or felonious acts. The  
37 board may refuse to grant a certificate on the ground of failure to  
38 satisfy this requirement only if there is a substantial connection

1 between the lack of good character of the applicant and the  
2 professional responsibilities of a certified public accountant and if  
3 the finding by the board of lack of good character is supported by a  
4 preponderance of evidence. When an applicant is found to be  
5 unqualified for a certificate because of a lack of good character, the  
6 board shall furnish the applicant a statement containing the findings  
7 of the board and a notice of the applicant's right of appeal;

8 (b) Who has met the educational standards established by rule as  
9 the board determines to be appropriate;

10 The board (~~(may, in its discretion,)~~) shall waive the educational  
11 requirements for any person if it is satisfied through review of  
12 documentation of successful completion of an equivalency examination  
13 that the person's educational qualifications are an acceptable  
14 substitute for the requirements of (b) of this subsection; and

15 (c) Who has passed a written examination.

16 (2) The examination described in subsection (1)(c) of this section  
17 shall be in writing, shall be held twice a year, and shall test the  
18 applicant's knowledge of the subjects of accounting and auditing, and  
19 other related fields the board may specify by rule. The time for  
20 holding the examination is fixed by the board and may be changed from  
21 time to time. The board shall prescribe by rule the methods of  
22 applying for and taking the examination, including methods for grading  
23 papers and determining a passing grade required of an applicant for a  
24 certificate. The board shall to the extent possible see to it that the  
25 grading of the examination, and the passing grades, are uniform with  
26 those applicable to all other states. The board may make use of all or  
27 a part of the uniform certified public accountant examination and  
28 advisory grading service of the American Institute of Certified Public  
29 Accountants and may contract with third parties to perform  
30 administrative services with respect to the examination as the board  
31 deems appropriate to assist it in performing its duties under this  
32 chapter.

33 (3) An applicant is required to pass all sections of the  
34 examination provided for in subsection (2) of this section in order to  
35 qualify for a certificate. If at a given sitting of the examination an  
36 applicant passes two or more but not all sections, then the applicant  
37 shall be given credit for those sections that he or she passed, and  
38 need not take those sections again: PROVIDED, That:

1 (a) The applicant took all sections of the examination at that  
2 sitting;

3 (b) The applicant attained a minimum grade of fifty on each section  
4 not passed at that sitting;

5 (c) The applicant passes the remaining sections of the examination  
6 within six consecutive examinations given after the one at which the  
7 first sections were passed;

8 (d) At each subsequent sitting at which the applicant seeks to pass  
9 additional sections, the applicant takes all sections not yet passed;  
10 and

11 (e) In order to receive credit for passing additional sections in  
12 a subsequent sitting, the applicant attains a minimum grade of fifty on  
13 sections written but not passed on the sitting.

14 (4) The board may waive or defer any of the requirements of  
15 subsection (3) of this section for candidates transferring conditional  
16 CPA exam credits from other states or for qualifying reciprocity  
17 certification applicants who met the conditioning requirements of the  
18 state or foreign jurisdiction issuing their original certificate.

19 (5) The board shall charge each applicant an examination fee for  
20 the initial examination under subsection (1) of this section, or for  
21 reexamination under subsection (3) of this section for each subject in  
22 which the applicant is reexamined. The applicable fee shall be paid by  
23 the person at the time he or she applies for examination,  
24 reexamination, or evaluation of educational qualifications. Fees for  
25 examination, reexamination, or evaluation of educational qualifications  
26 shall be determined by the board under chapter 18.04 RCW. There is  
27 established in the state treasury an account to be known as the  
28 certified public accountants' account. All fees received from  
29 candidates to take any or all sections of the certified public  
30 accountant examination shall be used only for costs related to the  
31 examination.

32 (6) Persons who on June 30, 1986, held certified public accountant  
33 certificates previously issued under the laws of this state shall not  
34 be required to obtain additional certificates under this chapter, but  
35 shall otherwise be subject to this chapter. Certificates previously  
36 issued shall, for all purposes, be considered certificates issued under  
37 this chapter and subject to its provisions.

38 (7) A certificate of a "certified public accountant" under this  
39 chapter is issued on a biennial basis with renewal subject to

1 requirements of continuing professional education and payment of fees,  
2 prescribed by the board.

3 (8) The board shall adopt rules providing for continuing  
4 professional education for certified public accountants. The rules  
5 shall:

6 (a) Provide that a certified public accountant shall verify to the  
7 board that he or she has completed at least an accumulation of eighty  
8 hours of continuing professional education during the last two-year  
9 period to maintain the certificate;

10 (b) Establish continuing professional education requirements;

11 (c) Establish when newly certificated public accountants shall  
12 verify that they have completed the required continuing professional  
13 education; and

14 (d) Provide that failure to furnish verification of the completion  
15 of the continuing professional education requirement shall make the  
16 certificate invalid and subject to reinstatement, unless the board  
17 determines that the failure was due to retirement, reasonable cause, or  
18 excusable neglect.

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