CERTIFICATION OF ENROLLMENT

SENATE BILL 5628

Chapter 378, Laws of 1999

56th Legislature
1999 Regular Session

CERTIFIED PUBLIC ACCOUNTANTS--CONTINUING EDUCATION AND LICENSING

EFFECTIVE DATE: 7/25/99

Passed by the Senate April 21, 1999
YEAS 44  NAYS 0

BRAD OWEN
President of the Senate

Passed by the House April 7, 1999
YEAS 90  NAYS 0

CLYDE BALLARD
Speaker of the House of Representatives

CERTIFICATE

I, Tony M. Cook, Secretary of the Senate of the State of Washington, do hereby certify that the attached is SENATE BILL 5628 as passed by the Senate and the House of Representatives on the dates hereon set forth.

TONY M. COOK
Secretary

FRANK CHOPP
Speaker of the House of Representatives

APPROVED MAY 17, 1999

GARY LOCKE
Governor of the State of Washington

May 17, 1999 - 3:53 p.m.

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

Sec. 1. RCW 18.04.025 and 1994 c 211 s 1401 are each amended to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Board" means the board of accountancy created by RCW 18.04.035.

(2) "Certified public accountant" or "CPA" means a person holding a certified public accountant certificate.

(3) "State" includes the states of the United States, the District of Columbia, Puerto Rico, Guam, and the United States Virgin Islands.

(4) "Reports on financial statements" means any reports or opinions prepared by certified public accountants, based on services performed in accordance with generally accepted auditing standards, standards for attestation engagements, or standards for accounting and review.
services as to whether the presentation of information used for
guidance in financial transactions or for accounting for or assessing
the status or performance of commercial and noncommercial enterprises,
whether public, private, or governmental, conforms with generally
accepted accounting principles or other comprehensive bases of
accounting.

(5) The "practice of public accounting" means performing or
offering to perform by a person or firm holding itself out to the
public as a licensee, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of "audit reports," "review reports," or "compilation reports" on financial statements, or one or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters. The "practice of public accounting" shall not include practices that are permitted under the provisions of RCW 18.04.350(6) by persons or firms not required to be licensed under this chapter.

(6) "Firm" means a sole proprietorship, a corporation, or a partnership. "Firm" also means a limited liability company formed under chapter 25.15 RCW.

(7) "CPE" means continuing professional education.

(8) "Certificate" means a certificate as a certified public accountant issued under this chapter, or a corresponding certificate issued by another state or foreign jurisdiction that is recognized in accordance with the reciprocity provisions of RCW 18.04.180 and 18.04.183.

(9) "Licensee" means the holder of a valid license issued under this chapter.

(10) "License" means a ((biennial)) license to practice public accountancy issued to an individual or firm under this chapter.

(11) "Quality assurance review" means a process established by and conducted at the direction of the board of study, appraisal, or review of one or more aspects of the professional work of a person or firm in the practice of public accountancy, by a person or persons who hold certificates and who are not affiliated with the person or firm being reviewed.

(12) "Quality review" means a study, appraisal, or review of one or more aspects of the professional work of a person or firm in the practice of public accountancy, by a person or persons who hold
certificates and who are not affiliated with the person or firm being reviewed, including a peer review, or any internal review or inspection intended to comply with quality control policies and procedures, but not including the "quality assurance review" under subsection (11) of this section.

(13) "Review committee" means any person carrying out, administering or overseeing a quality review authorized by the reviewee.

(14) "Rule" means any rule adopted by the board under authority of this chapter.

(15) "Holding out" means any representation to the public by the use of restricted titles as set forth in RCW 18.04.345 by a person or firm that the person or firm is a certified public accountant and that the person or firm offers to perform any professional services to the public as a certified public accountant. "Holding out" shall not affect or limit a person not required to hold a certificate under this chapter or a person or firm not required to hold a license under this chapter from engaging in practices identified in RCW 18.04.350(6).

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

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

(a) Who is of good character. Good character, for purposes of this section, means lack of a history of dishonest or felonious acts. The board may refuse to grant a certificate on the ground of failure to satisfy this requirement only if there is a substantial connection between the lack of good character of the applicant and the professional responsibilities of a certified public accountant and if the finding by the board of lack of good character is supported by a preponderance of evidence. When an applicant is found to be unqualified for a certificate because of a lack of good character, the board shall furnish the applicant a statement containing the findings of the board and a notice of the applicant’s right of appeal;

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

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

(c) Who has passed a written examination.

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

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

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

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

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

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

(e) In order to receive credit for passing additional sections in a subsequent sitting, the applicant attains a minimum grade of fifty on sections written but not passed on the sitting.
(4) The board may waive or defer any of the requirements of subsection (3) of this section for candidates transferring conditional CPA exam credits from other states or for qualifying reciprocity certification applicants who met the conditioning requirements of the state or foreign jurisdiction issuing their original certificate.

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

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

(7) A certificate of a "certified public accountant" under this chapter is issued ((on a biennial basis)) every three years with renewal subject to requirements of continuing professional education and payment of fees, prescribed by the board.

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

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

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

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

(e) Provide for transition from existing to new continuing professional education requirements.

(9) The board may adopt by rule new CPE standards that differ from those in subsection (8) of this section or RCW 18.04.215 if the new standards are consistent with the continuing professional education standards of other states so as to provide to the greatest extent possible, consistent national standards.

Sec. 3. RCW 18.04.183 and 1992 c 103 s 18 are each amended to read as follows:

The board shall grant a certificate or license as a certified public accountant to a holder of a permit, license, or certificate issued by a foreign country’s board, agency, or institute, provided that:

(1) The foreign country where the foreign permit, license, or certificate was issued is a party to an agreement on trade with the United States that encourages the mutual recognition of licensing and certification requirements for the provision of covered services by the parties under the trade agreement; and

(2) Such foreign country’s board, agency, or institute makes similar provision to allow a person who holds a valid certificate issued by this state to obtain such foreign country’s comparable permit, license, or certificate; and

(3) The foreign permit, license, or certificate:

(a) Was duly issued by such foreign country’s board, agency, or institute that regulates the practice of public accountancy; and

(b) Is in good standing at the time of the application; and

(c) Was issued upon the basis of educational, examination, and ethical requirements substantially equivalent currently or at the time of issuance of the foreign permit, license, or certificate to those in this state; and
(4) The applicant has within the thirty-six months prior to application completed an accumulation of one hundred twenty hours of continuing professional education as required under RCW 18.04.105(8). The board shall provide for transition from existing to new continuing professional education requirements; and

(5) If the application is for a certificate:
   (a) The applicant’s foreign permit, license, or certificate was the type of permit, license, or certificate requiring the most stringent qualifications if, in the foreign country, more than one type of permit, license, or certificate is issued. This state’s board shall decide which are the most stringent qualifications; and
   (b) The applicant has passed a written examination or its equivalent, approved by the board, that tests knowledge in the areas of United States accounting principles, auditing standards, commercial law, income tax law, and Washington state rules of professional ethics; or

(6) If the application is for a certificate and license:
   (a) The requirements of subsections (1) through (5) of this section are satisfied; and
   (b) The applicant has within the five years prior to applying for the certificate and license under this section, demonstrated, in accordance with the rules issued by the board, one year of public accounting experience, within the foreign country where the foreign permit, license, or certificate was issued, equivalent to the experience required under RCW 18.04.215(1)(a) or such other experience or employment which the board in its discretion regards as substantially equivalent.

The board may adopt by rule new CPE standards that differ from those in subsection (4) of this section or RCW 18.04.215 if the new standards are consistent with the continuing professional education standards of other states so as to provide to the greatest extent possible, consistent national standards.

Sec. 4. RCW 18.04.185 and 1986 c 295 s 7 are each amended to read as follows:

(1) Application for certification as certified public accountants by persons who are not residents of this state constitutes appointment of the secretary of state as an agent for service of process in any action or proceeding against the applicants arising from any
transaction, activity, or operation connected with or incidental to the practice of public accounting in this state by nonresident holders of certified public accountant certificates.

(2) Application for a ((biennial)) license to practice public accounting in this state by a certified public accountant or CPA firm who holds a license or permit to practice issued by another state constitutes the appointment of the secretary of state as an agent for service of process in any action or proceeding against the applicant arising from any transaction or operation connected with or incidental to the practice of public accounting in this state by the holder of the ((biennial)) license to practice.

Sec. 5. RCW 18.04.195 and 1994 c 211 s 1402 are each amended to read as follows:

(1) A sole proprietorship engaged in this state in the practice of public accounting shall license ((biennially)) every three years with the board as a firm.

(a) The principal purpose and business of the firm shall be to furnish services to the public which are consistent with this chapter and the rules of the board.

(b) The person shall be a certified public accountant holding a license to practice under RCW 18.04.215.

(c) Each resident licensee in charge of an office of the sole proprietorship engaged in this state in the practice of public accounting shall be a certified public accountant holding a license to practice under RCW 18.04.215.

(2) A partnership engaged in this state in the practice of public accounting shall license ((biennially)) every three years with the board as a partnership of certified public accountants, and shall meet the following requirements:

(a) The principal purpose and business of the partnership shall be to furnish services to the public which are consistent with this chapter and the rules of the board;

(b) At least one general partner of the partnership shall be a certified public accountant holding a license to practice under RCW 18.04.215;

(c) Each resident licensee in charge of an office of the partnership in this state and each resident partner personally engaged within this state in the practice of public accounting shall be a
1 certified public accountant holding a license to practice under RCW 18.04.215.

(3) A corporation organized for the practice of public accounting and engaged in this state in the practice of public accounting shall license (biennially) every three years with the board as a corporation of certified public accountants and shall meet the following requirements:

(a) The principal purpose and business of the corporation shall be to furnish services to the public which are consistent with this chapter and the rules of the board; and

(b) Each shareholder of the corporation shall be a certified public accountant of some state holding a license to practice and shall be principally employed by the corporation or actively engaged in its business. No other person may have any interest in the stock of the corporation. The principal officer of the corporation and any officer or director having authority over the practice of public accounting by the corporation shall be a certified public accountant of some state holding a license to practice;

(c) At least one shareholder of the corporation shall be a certified public accountant holding a license to practice under RCW 18.04.215;

(d) Each resident licensee in charge of an office of the corporation in this state and each shareholder or director personally engaged within this state in the practice of public accounting shall be a certified public accountant holding a license to practice under RCW 18.04.215;

(e) A written agreement shall bind the corporation or its shareholders to purchase any shares offered for sale by, or not under the ownership or effective control of, a qualified shareholder, and bind any holder not a qualified shareholder to sell the shares to the corporation or its qualified shareholders. The agreement shall be noted on each certificate of corporate stock. The corporation may purchase any amount of its stock for this purpose, notwithstanding any impairment of capital, as long as one share remains outstanding; and

(f) The corporation shall comply with any other rules pertaining to corporations practicing public accounting in this state as the board may prescribe.

(4) A limited liability company engaged in this state in the practice of public accounting shall license (biennially) every three years with the board as a limited liability company of certified public accountants and shall meet the following requirements:

(a) The principal purpose and business of the limited liability company shall be to furnish services to the public which are consistent with this chapter and the rules of the board; and

(b) Each member of the limited liability company shall be a certified public accountant of some state holding a license to practice and shall be principally employed by the limited liability company or actively engaged in its business. No other person may have any interest in the stock of the limited liability company. The principal officer of the limited liability company and any officer or director having authority over the practice of public accounting by the limited liability company shall be a certified public accountant of some state holding a license to practice;

(c) At least one member of the limited liability company shall be a certified public accountant holding a license to practice under RCW 18.04.215;

(d) Each resident licensee in charge of an office of the limited liability company in this state and each member or director personally engaged within this state in the practice of public accounting shall be a certified public accountant holding a license to practice under RCW 18.04.215;

(e) A written agreement shall bind the limited liability company or its members to purchase any shares offered for sale by, or not under the ownership or effective control of, a qualified shareholder, and bind any holder not a qualified shareholder to sell the shares to the limited liability company or its qualified shareholders. The agreement shall be noted on each certificate of corporate stock. The limited liability company may purchase any amount of its stock for this purpose, notwithstanding any impairment of capital, as long as one share remains outstanding; and

(f) The limited liability company shall comply with any other rules pertaining to limited liability companies practicing public accounting in this state as the board may prescribe.
years with the board as a limited liability company of certified public accountants, and shall meet the following requirements:

(a) The principal purpose and business of the limited liability company shall be to furnish services to the public which are consistent with this chapter and the rules of the board;

(b) At least one manager of the limited liability company shall be a certified public accountant holding a license to practice under RCW 18.04.215;

(c) Each resident manager or member in charge of an office of the limited liability company in this state and each resident manager or member personally engaged within this state in the practice of public accounting shall be a certified public accountant holding a license to practice under RCW 18.04.215.

(5) Application for a license as a firm shall be made upon the affidavit of the proprietor or person designated as managing partner or shareholder for Washington. This person shall be a certified public accountant holding a license to practice under RCW 18.04.215. The board shall determine in each case whether the applicant is eligible for a license. A partnership or corporation which is licensed to practice under RCW 18.04.215 may use the designation "certified public accountants" or "CPAs" in connection with its partnership or corporate name. The board shall be given notification within ninety days after the admission or withdrawal of a partner or shareholder engaged in this state in the practice of public accounting from any partnership or corporation so licensed.

(6) Fees for the license as a firm and for notification of the board of the admission or withdrawal of a partner or shareholder shall be determined by the board. Fees shall be paid by the firm at the time the license application form or notice of admission or withdrawal of a partner or shareholder is filed with the board.

Sec. 6. RCW 18.04.205 and 1992 c 103 s 9 are each amended to read as follows:

(1) Each office established or maintained in this state for the practice of public accounting in this state by a certified public accountant, or a partnership or corporation of certified public accountants, shall register with the board under this chapter ((biennially)) every three years.
(2) Each office shall be under the direct supervision of a resident licensee holding a license under RCW 18.04.215 who may be a sole proprietor, partner, principal shareholder, or a staff employee.

(3) The board shall by rule prescribe the procedure to be followed to register and maintain offices established in this state for the practice of public accounting.

(4) Fees for the registration of offices shall be determined by the board. Fees shall be paid by the applicant at the time the registration form is filed with the board.

Sec. 7. RCW 18.04.215 and 1992 c 103 s 10 are each amended to read as follows:

(1) ((Biennial)) Three-year licenses shall be issued by the board:

(a) To holders of certificates as certified public accountants who have demonstrated, in accordance with rules issued by the board, one year of public accounting experience, or such other experience or employment which the board in its discretion regards as substantially equivalent and who, if their certificate was issued more than forty-eight months prior to application under this section, submit to the board satisfactory proof of having completed an accumulation of ((eighty)) one hundred twenty hours of continuing professional education during the ((twenty-four)) thirty-six months preceding the application;

(b) To firms under RCW 18.04.195, if all offices of the firm in this state are maintained and registered as required under RCW 18.04.205.

(2) The board shall, by rule, provide for a system of certificate and license renewal. Applicants for issuance or renewal of certificates or licenses shall, at the time of filing their applications, list with the board all states and foreign jurisdictions in which they hold or have applied for certificates, permits or licenses to practice.

(3) A certified public accountant who holds a permit or license issued by another state, and applies for a license in this state, may practice in this state from the date of filing a completed application with the board, until the board has acted upon the application provided the application is made prior to holding out as a certified public accountant in this state and no sanctions or investigations, deemed by
the board to be pertinent to public accountancy, by other jurisdictions or agencies are in process.

(4) A certified public accountant shall submit to the board satisfactory proof of having completed an accumulation of ((eighty)) one hundred twenty hours of continuing education recognized and approved by the board during the preceding ((two)) three years. Failure to furnish this evidence as required shall make the certificate invalid and subject to reinstatement procedures, unless the board determines the failure to have been due to retirement, reasonable cause, or excusable neglect.

The board in its discretion may renew a certificate or license despite failure to furnish evidence of compliance with requirements of continuing professional education upon condition that the applicant follow a particular program of continuing professional education. In issuing rules and individual orders with respect to continuing professional education requirements, the board, among other considerations, may rely upon guidelines and pronouncements of recognized educational and professional associations, may prescribe course content, duration, and organization, and may take into account the accessibility of continuing education to applicants and instances of individual hardship.

(5) Fees for issuance or renewal of certificates and licenses in this state shall be determined by the board under chapter 18.04 RCW. Fees shall be paid by the applicant at the time the application form is filed with the board. The board, by rule, may provide for proration of fees for certificates and licenses issued between normal renewal dates.

Sec. 8. RCW 18.04.345 and 1992 c 103 s 14 are each amended to read as follows:

(1) No person may assume or use the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the person is a certified public accountant or CPA unless the person holds a valid certificate as a certified public accountant.

(2) No person may hold himself or herself out to the public and assume or use the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or ((device [device])) device tending to indicate that the person is a certified public accountant or CPA unless the person holds a valid
certificate as a certified public accountant and holds a valid license to practice under RCW 18.04.215.

(3) No firm may hold itself out to the public, or assume or use the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of certified public accountants or CPAs, unless the firm is licensed under RCW 18.04.195, holds a valid license to practice under RCW 18.04.215, and all offices of the firm in this state for the practice of public accounting are maintained and registered under RCW 18.04.205.

(4) No person, partnership, or corporation may hold himself, herself, or itself out to the public, or assume or use along, or in connection with his, hers, or its name, or any other name the title or designation "certified accountant," "chartered accountant," "licensed accountant," "licensed public accountant," "public accountant," or any other title or designation likely to be confused with "certified public accountant" or any of the abbreviations "CA," "LA," "LPA," or "PA," or similar abbreviations likely to be confused with "CPA." However, nothing in this chapter prohibits use of the title "accountant" by any person regardless of whether the person has been granted a certificate or holds a license under this chapter.

(5) No person may sign, affix, or associate his or her name or any trade or assumed name used by the person in his or her business to any report designated as an "audit," "review," or "compilation," unless the person holds a ((biennial)) license to practice under RCW 18.04.215 and all of the person’s offices in this state for the practice of public accounting are maintained and licensed under RCW 18.04.205.

(6) No person may sign, affix, or associate a firm name to any report designated as an "audit," "review," or "compilation," unless the firm is licensed under RCW 18.04.195 and 18.04.215, and all of its offices in this state for the practice of public accounting are maintained and registered under RCW 18.04.205.

(7) No person, partnership, or corporation not holding a license to practice under RCW 18.04.215 may hold himself, herself, or itself out to the public as an "auditor" with or without any other description or designation by use of such word on any sign, card, letterhead, or in any advertisement or directory.

(8) No person may assume or use the designation "certified public accountant" or "CPA" in conjunction with names indicating or implying
that there is a partnership or corporation, if there is in fact no bona
fide partnership or corporation registered under RCW 18.04.195.
(9) No person, partnership, or corporation holding a license under
RCW 18.04.215 may hold himself, herself, or itself out to the public in
conjunction with the designation "and Associates" or "and Assoc."
unless he or she has in fact a partner or employee who holds a license
under RCW 18.04.215.

Passed the Senate April 21, 1999.
Passed the House April 7, 1999.
Approved by the Governor May 17, 1999.
Filed in Office of Secretary of State May 17, 1999.