

2 **2SSB 5593** - S AMD 079
3 By Senator Gardner

4 ADOPTED 03/13/01

5 Strike everything after the enacting clause and insert the
6 following:

7 "Sec. 1. RCW 18.04.015 and 1992 c 103 s 1 are each amended to read
8 as follows:

9 (1) It is the policy of this state and the purpose of this chapter:

10 (a) To promote the dependability of information which is used for
11 guidance in financial transactions or for accounting for or assessing
12 the status or performance of commercial and noncommercial enterprises,
13 whether public, private or governmental; and

14 (b) To protect the public interest by requiring that:

15 (i) Persons who hold themselves out ~~((to the public))~~ as
16 ~~((certified public accountants who offer to perform, or perform for
17 clients, professional services, including but not limited to one or
18 more kinds of services involving the use of accounting or auditing
19 skills, including the issuance of "audit reports," "review reports," or
20 "compilation reports" on financial statements, or one or more kinds of
21 management advisory, or consulting services, the preparation of tax
22 returns, or the furnishing of advice on tax matters, perform such
23 services))~~ licensees or certificate holders conduct themselves in a
24 competent, ethical, and professional manner;

25 (ii) A public authority be established that is competent to
26 prescribe and assess the qualifications of certified public
27 accountants, including certificate holders who are not licensed for the
28 practice of public accounting;

29 (iii) Persons other than ~~((certified public accountants))~~ licensees
30 refrain from using the words "audit," "review," and "compilation" when
31 designating a report customarily prepared by someone knowledgeable in
32 accounting; ~~((and))~~

33 (iv) A public authority be established to provide for consumer
34 alerts and public protection information to be published regarding
35 persons or firms who violate the provisions of this act or board rule

1 and to provide general consumer protection information to the public;
2 and

3 (v) The use of accounting titles likely to confuse the public be
4 prohibited.

5 (2) The purpose of this act is to make revisions to chapter 234,
6 Laws of 1983 and chapter 103, Laws of 1992 to: Fortify the public
7 protection provisions of this act; establish one set of qualifications
8 to be a licensee; revise the regulations of certified public
9 accountants; make revisions in the ownership of certified public
10 accounting firms; assure to the greatest extent possible that certified
11 public accountants from Washington state are substantially equivalent
12 with certified public accountants in other states and can therefore
13 perform the duties of certified public accountants in as many states
14 and countries as possible; assure certified public accountants from
15 other states and countries have met qualifications that are
16 substantially equivalent to the certified public accountant
17 qualifications of this state; and clarify the authority of the board of
18 accountancy with respect to the activities of persons holding licenses
19 and certificates under this chapter. It is not the intent of this act
20 to in any way restrict or limit the activities of persons not holding
21 licenses or certificates under this chapter except as otherwise
22 specifically restricted or limited by chapter 234, Laws of 1983 and
23 chapter 103, Laws of 1992.

24 (3) A purpose of chapter 103, Laws of 1992, revising provisions of
25 chapter 234, Laws of 1983, is to clarify the authority of the board of
26 accountancy with respect to the activities of persons holding
27 certificates under this chapter. Furthermore, it is not the intent of
28 chapter 103, Laws of 1992 to in any way restrict or limit the
29 activities of persons not holding certificates under this chapter
30 except as otherwise specifically restricted or limited by chapter 234,
31 Laws of 1983.

32 **Sec. 2.** RCW 18.04.025 and 1999 c 378 s 1 are each amended to read
33 as follows:

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

36 (1) "Board" means the board of accountancy created by RCW
37 18.04.035.

1 (2) "Certificate holder" means the holder of a certificate as a
2 certified public accountant who has not become a licensee, has
3 maintained CPE requirements, and who does not practice public
4 accounting.

5 (3) "Certified public accountant" or "CPA" means a person holding
6 a certified public accountant license or certificate.

7 (~~(3)~~) (4) "State" includes the states of the United States, the
8 District of Columbia, Puerto Rico, Guam, and the United States Virgin
9 Islands.

10 (~~(4)~~) (5) "Reports on financial statements" means any reports or
11 opinions prepared by (~~certified public accountants~~) licensees, based
12 on services performed in accordance with generally accepted auditing
13 standards, standards for attestation engagements, or standards for
14 accounting and review services as to whether the presentation of
15 information used for guidance in financial transactions or for
16 accounting for or assessing the status or performance of commercial and
17 noncommercial enterprises, whether public, private, or governmental,
18 conforms with generally accepted accounting principles or other
19 comprehensive bases of accounting. "Reports on financial statements"
20 does not include services referenced in RCW 18.04.350(6) provided by
21 persons not holding a license under this chapter.

22 (~~(5)~~) (6) The "practice of public accounting" means performing or
23 offering to perform by a person or firm holding itself out to the
24 public as a licensee, for a client or potential client, one or more
25 kinds of services involving the use of accounting or auditing skills,
26 including the issuance of "audit reports," "review reports," or
27 "compilation reports" on financial statements, or one or more kinds of
28 management advisory, or consulting services, or the preparation of tax
29 returns, or the furnishing of advice on tax matters. The "practice of
30 public accounting" shall not include practices that are permitted under
31 the provisions of RCW 18.04.350(6) by persons or firms not required to
32 be licensed under this chapter.

33 (~~(6)~~) (7) "Firm" means a sole proprietorship, a corporation, or
34 a partnership. "Firm" also means a limited liability company formed
35 under chapter 25.15 RCW.

36 (~~(7)~~) (8) "CPE" means continuing professional education.

37 (~~(8)~~) (9) "Certificate" means a certificate as a certified public
38 accountant issued prior to July 1, 2001, as authorized under the
39 provisions of this chapter(~~(, or a corresponding certificate issued by~~

1 ~~another state or foreign jurisdiction that is recognized in accordance~~
2 ~~with the reciprocity provisions of RCW 18.04.180 and 18.04.183)).~~

3 ~~((9))~~ (10) "Licensee" means the holder of a ~~((valid))~~ license to
4 practice public accountancy issued under this chapter.

5 ~~((10))~~ (11) "License" means a license to practice public
6 accountancy issued to an individual under this chapter, or a license
7 issued to a firm under this chapter.

8 ~~((11))~~ (12) "Manager" means a manager of a limited liability
9 company licensed as a firm under this chapter.

10 (13) "NASBA" means the national association of state boards of
11 accountancy.

12 (14) "Quality assurance review" means a process established by and
13 conducted at the direction of the board of study, appraisal, or review
14 of one or more aspects of the ~~((professional))~~ attest work of a
15 ~~((person))~~ licensee or licensed firm in the practice of public
16 accountancy, by a person or persons who hold ~~((certificates))~~ licenses
17 and who are not affiliated with the person or firm being reviewed.

18 ~~((12—"Quality review"))~~ (15) "Peer review" means a study,
19 appraisal, or review of one or more aspects of the ~~((professional))~~
20 attest work of a ~~((person))~~ licensee or licensed firm in the practice
21 of public accountancy, by a person or persons who hold ~~((certificates))~~
22 licenses and who are not affiliated with the person or firm being
23 reviewed, including a peer review, or any internal review or inspection
24 intended to comply with quality control policies and procedures, but
25 not including the "quality assurance review" under subsection ~~((11))~~
26 (14) of this section.

27 ~~((13))~~ (16) "Review committee" means any person carrying out,
28 administering or overseeing a ~~((quality))~~ peer review authorized by the
29 reviewee.

30 ~~((14))~~ (17) "Rule" means any rule adopted by the board under
31 authority of this chapter.

32 ~~((15))~~ (18) "Holding out" means any representation to the public
33 by the use of restricted titles as set forth in RCW 18.04.345 by a
34 person or firm that the person or firm ~~((is a certified public~~
35 ~~accountant))~~ holds a license under this chapter and that the person or
36 firm offers to perform any professional services to the public as a
37 ~~((certified public accountant))~~ licensee. "Holding out" shall not
38 affect or limit ~~((a person not required to hold a certificate under~~
39 ~~this chapter or))~~ a person or firm not required to hold a license under

1 this chapter from engaging in practices identified in RCW
2 18.04.350(~~(6)~~)).

3 (19) "Natural person" means a living, human being.

4 (20) "Inactive" means the certificate is in an inactive status
5 because a person who held a valid certificate before July 1, 2001, has
6 not met the current requirements of licensure and has been granted
7 inactive certificate holder status through an approval process
8 established by the board.

9 **Sec. 3.** RCW 18.04.035 and 1992 c 103 s 3 are each amended to read
10 as follows:

11 (1) There is created a board of accountancy for the state of
12 Washington to be known as the Washington state board of accountancy.
13 Effective June 30, 2001, the board shall consist of (~~seven~~) nine
14 members appointed by the governor. Members of the board shall include
15 (~~four~~) six persons who (~~hold valid certified public accountant~~
16 certificates and have been in public practice as certified public
17 accountants) have been licensed in this state continuously for the
18 previous ten years (~~and two persons who have held a valid certified~~
19 public accountant's certificate in this state for at least ten years)).
20 (~~The seventh~~) Three members shall be (~~the~~) public members (~~and~~
21 shall be a person who is) qualified to judge whether the
22 qualifications, activities, and professional practice of those
23 regulated under this chapter conform with standards to protect the
24 public interest, including one public member qualified to represent the
25 interests of clients of individuals and firms licensed under this
26 chapter.

27 (2) The members of the board (~~(of accountancy)~~) shall be appointed
28 by the governor to a term of three years. Vacancies occurring during
29 a term shall be filled by appointment for the unexpired term. Upon the
30 expiration of a member's term of office, the member shall continue to
31 serve until a successor has been appointed and has assumed office. The
32 governor shall remove from the board any member whose (~~certificate~~
33 ~~or~~) license to practice has been revoked or suspended and may, after
34 hearing, remove any member of the board for neglect of duty or other
35 just cause. No person who has served two successive complete terms is
36 eligible for reappointment. Appointment to fill an unexpired term is
37 not considered a complete term. In order to stagger their terms, of

1 the two new appointments made to the board upon June 11, 1992, the
2 first appointed member shall serve a term of two years initially.

3 **Sec. 4.** RCW 18.04.045 and 1992 c 103 s 4 are each amended to read
4 as follows:

5 (1) The board shall annually elect a chair, a vice-chair, and a
6 secretary from its members.

7 (2) A majority of the board constitutes a quorum for the
8 transaction of business.

9 (3) The board shall have a seal which shall be judicially noticed.

10 (4) The board shall keep records of its proceedings, and of any
11 proceeding in court arising from or founded upon this chapter. Copies
12 of these records certified as correct under the seal of the board are
13 admissible in evidence as tending to prove the content of the records.

14 (5) The governor shall appoint an executive director of the board,
15 who shall serve at the pleasure of the governor. The executive
16 director may employ such personnel as is appropriate for carrying out
17 the purposes of this chapter. The executive director shall hold a
18 valid Washington ((CPA certificate)) license. The board may arrange
19 for such volunteer assistance as it requires to perform its duties.
20 Individuals or committees assisting the board constitute volunteers for
21 purposes of chapter 4.92 RCW.

22 (6) The board shall file an annual report of its activities with
23 the governor. The report shall include, but not be limited to, a
24 statement of all receipts and disbursements. Upon request, the board
25 shall mail a copy of each annual report to any member of the public.

26 (7) In making investigations concerning alleged violations of the
27 provisions of this chapter and in all proceedings under RCW 18.04.295
28 or chapter 34.05 RCW, the board chair, or a member of the board, or a
29 board designee acting in the chair's place, may administer oaths or
30 affirmations to witnesses appearing before the board, subpoena
31 witnesses and compel their attendance, take testimony, and require that
32 documentary evidence be submitted.

33 (8) The board may review the publicly available professional work
34 of licensees on a general and random basis, without any requirement of
35 a formal complaint or suspicion of impropriety on the part of any
36 particular licensee. If as a result of such review the board discovers
37 reasonable grounds for a more specific investigation, the board may
38 proceed under its investigative and disciplinary rules.

1 (9) The board may provide for consumer alerts and public protection
2 information to be published regarding persons or firms who violate the
3 provisions of this chapter or board rule and may provide general
4 consumer protection information to the public.

5 (10) As provided in RCW 18.04.370, the board may enter into
6 stipulated agreements and orders of assurance with persons who have
7 violated the provisions of RCW 18.04.345 or certify the facts to the
8 prosecuting attorney of the county in which such person resides for
9 criminal prosecution.

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

12 The board may adopt and amend rules under chapter 34.05 RCW for the
13 orderly conduct of its affairs. The board shall prescribe rules
14 consistent with this chapter as necessary to implement this chapter.
15 Included may be:

16 (1) Rules of procedure to govern the conduct of matters before the
17 board;

18 (2) Rules of professional conduct for all ~~((certificate and license~~
19 ~~holders))~~ licensees, certificate holders, and nonlicensee owners of
20 licensed firms, in order to establish and maintain high standards of
21 competence and ethics ~~((of certified public accountants))~~ including
22 rules dealing with independence, integrity, objectivity, and freedom
23 from conflicts of interest;

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

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

30 (5) Rules specifying the educational requirements to take the
31 certified public accountant examination ~~((or for the issuance of the~~
32 ~~certificate or license of certified public accountant))~~;

33 (6) Rules designed to ensure that ~~((certified public accountants'))~~
34 licensees' "reports on financial statements" meet the definitional
35 requirements for that term as specified in RCW 18.04.025;

36 (7) Requirements for ~~((continuing professional education))~~ CPE to
37 maintain or improve the professional competence of ~~((certificate and~~
38 ~~license holders))~~ licensees as a condition to maintaining their

1 ~~((certificate or))~~ license ~~((to practice))~~ and certificate holders as
2 a condition to maintaining their certificate under RCW 18.04.215;

3 (8) Rules governing ~~((sole proprietors, partnerships, and~~
4 ~~corporations practicing public accounting))~~ firms issuing or offering
5 to issue reports on financial statements or using the title "certified
6 public accountant" or "CPA" including, but not limited to, rules
7 concerning their style, name, title, and affiliation with any other
8 organization, and establishing reasonable practice and ethical
9 standards to protect the public interest;

10 (9) The board may by rule implement a quality assurance review
11 program as a means to monitor licensees' quality of practice and
12 compliance with professional standards. The board may exempt from such
13 program, licensees who undergo periodic ~~((quality))~~ peer reviews in
14 programs of the American Institute of Certified Public Accountants,
15 ~~((National Association of State Boards of Accountancy))~~ NASBA, or other
16 programs recognized and approved by the board;

17 (10) The board may by rule require licensed firms to obtain
18 professional liability insurance if in the board's discretion such
19 insurance provides additional and necessary protection for the public;
20 ~~((and))~~

21 (11) Rules specifying the experience requirements in order to
22 qualify for a license;

23 (12) Rules specifying the requirements for certificate holders to
24 qualify for a license under this chapter which must include provisions
25 for meeting CPE and experience requirements prior to application for
26 licensure;

27 (13) Rules specifying the registration requirements, including
28 ethics examination and fee requirements, for resident nonlicensee
29 partners, shareholders, and managers of licensed firms;

30 (14) Rules specifying the ethics CPE requirements for certificate
31 holders and owners of licensed firms, including the process for
32 reporting compliance with those requirements;

33 (15) Rules specifying the experience and CPE requirements for
34 licensees offering or issuing reports on financial statements; and

35 (16) Any other rule which the board finds necessary or appropriate
36 to implement this chapter.

37 **Sec. 6.** RCW 18.04.065 and 1992 c 103 s 6 are each amended to read
38 as follows:

1 The board shall set its fees at a level adequate to pay the costs
2 of administering this chapter. (~~Beginning in the 1993-95 biennium,~~)
3 All fees for (~~certified public accountants'~~) licenses,
4 (~~certificates,~~) registrations of nonlicensee partners, shareholders,
5 and managers of licensed firms, renewals of licenses, renewals of
6 registrations of nonlicensee partners, shareholders, and managers of
7 licensed firms, renewals of certificates, reinstatements of lapsed
8 licenses, reinstatements of lapsed certificates, reinstatements of
9 lapsed registrations of nonlicensee partners, shareholders, and
10 managers of licensed firms, and delinquent filings received under the
11 authority of this chapter shall be deposited in the certified public
12 accountants' account created by RCW 18.04.105. Appropriation from such
13 account shall be made only for the cost of administering the provisions
14 of this chapter.

15 **Sec. 7.** RCW 18.04.105 and 2000 c 171 s 2 are each amended to read
16 as follows:

17 (1) (~~The certificate of "certified public accountant"~~) A license
18 to practice public accounting shall be granted by the board to any
19 person:

20 (a) Who is of good character. Good character, for purposes of this
21 section, means lack of a history of dishonest or felonious acts. The
22 board may refuse to grant a (~~certificate~~) license on the ground of
23 failure to satisfy this requirement only if there is a substantial
24 connection between the lack of good character of the applicant and the
25 professional and ethical responsibilities of a (~~certified public~~
26 ~~accountant~~) licensee and if the finding by the board of lack of good
27 character is supported by a preponderance of evidence. When an
28 applicant is found to be unqualified for a (~~certificate~~) license
29 because of a lack of good character, the board shall furnish the
30 applicant a statement containing the findings of the board and a notice
31 of the applicant's right of appeal;

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

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

1 (c) Who has passed ~~((a written))~~ an examination;

2 (d) Who has had one year of experience which is gained:

3 (i) Through the use of accounting, issuing reports on financial
4 statements, management advisory, financial advisory, tax, tax advisory,
5 or consulting skills;

6 (ii) While employed in government, industry, academia, or public
7 practice; and

8 (iii) Meeting the competency requirements in a manner as determined
9 by the board to be appropriate and established by board rule; and

10 (e) Who has paid appropriate fees as established by rule by the
11 board.

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

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

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

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

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

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

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

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

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

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

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

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

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

8 ~~(b) Establish continuing professional education requirements;~~

9 ~~(c) Establish when newly certificated public accountants shall~~
10 ~~verify that they have completed the required continuing professional~~
11 ~~education;~~

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

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

19 ~~(9) The board may adopt by rule new CPE standards that differ from~~
20 ~~those in subsection (8) of this section or RCW 18.04.215 if: (a) The~~
21 ~~new standards are consistent with the continuing professional education~~
22 ~~standards of other states so as to provide to the greatest extent~~
23 ~~possible, consistent national standards; and (b) the new standards are~~
24 ~~at least as strict as the standards set forth in subsection (8) of this~~
25 ~~section or RCW 18.04.215.)~~

26 (4) Persons who on June 30, 2001, held valid certificates
27 previously issued under this chapter shall be deemed to be certificate
28 holders, subject to the following:

29 (a) Certificate holders may, prior to June 30, 2004, petition the
30 board to become licensees by documenting to the board that they have
31 gained one year of experience through the use of accounting, issuing
32 reports on financial statements, management advisory, financial
33 advisory, tax, tax advisory, or consulting skills, without regard to
34 the eight-year limitation set forth in (b) of this subsection, while
35 employed in government, industry, academia, or public practice.

36 (b) Certificate holders who do not petition to become licensees
37 prior to June 30, 2004, may after that date petition the board to
38 become licensees by documenting to the board that they have one year of
39 experience acquired within eight years prior to applying for a license

1 through the use of accounting, issuing reports on financial statements,
2 management advisory, financial advisory, tax, tax advisory, or
3 consulting skills in government, industry, academia, or public
4 practice.

5 (c) Certificate holders who petition the board pursuant to (a) or
6 (b) of this subsection must also meet competency requirements in a
7 manner as determined by the board to be appropriate and established by
8 board rule.

9 (d) Any certificate holder petitioning the board pursuant to (a) or
10 (b) of this subsection to become a licensee must submit to the board
11 satisfactory proof of having completed an accumulation of one hundred
12 twenty hours of CPE during the thirty-six months preceding the date of
13 filing the petition.

14 (e) Any certificate holder petitioning the board pursuant to (a) or
15 (b) of this subsection to become a licensee must pay the appropriate
16 fees established by rule by the board.

17 (5) Certificate holders shall comply with the prohibition against
18 the practice of public accounting in RCW 18.04.345.

19 (6) Persons who on June 30, 2001, held valid certificates
20 previously issued under this chapter are deemed to hold inactive
21 certificates, subject to renewal as inactive certificates, until they
22 have petitioned the board to become licensees and have met the
23 requirements of subsection (4) of this section. No individual who did
24 not hold a valid certificate before July 1, 2001, is eligible to obtain
25 an inactive certificate.

26 (7) Persons deemed to hold inactive certificates under subsection
27 (6) of this section shall comply with the prohibition against the
28 practice of public accounting in subsection (8)(b) of this section and
29 RCW 18.04.345, but are not required to display the term inactive as
30 part of their title, as required by subsection (8)(a) of this section
31 until renewal. Certificates renewed to any persons after June 30,
32 2001, are inactive certificates and the inactive certificate holders
33 are subject to the requirements of subsection (8) of this section.

34 (8) Persons holding an inactive certificate:

35 (a) Must use or attach the term "inactive" whenever using the title
36 CPA or certified public accountant or referring to the certificate, and
37 print the word "inactive" immediately following the title, whenever the
38 title is printed on a business card, letterhead, or any other document,

1 including documents published or transmitted through electronic media,
2 in the same font and font size as the title; and

3 (b) Are prohibited from practicing public accounting.

4 **Sec. 8.** RCW 18.04.180 and 1992 c 103 s 8 are each amended to read
5 as follows:

6 (1) The board shall issue a ~~((certificate to a holder of a~~
7 ~~certificate issued by another state, or shall issue a certificate and))~~
8 license to a holder of a certificate/valid license issued by another
9 state that entitles the holder to practice public accountancy, provided
10 that:

11 ~~((1))~~ (a) Such state makes similar provision to grant reciprocity
12 to a holder of a ~~((certificate or))~~ valid certificate ~~((and valid))~~ or
13 license in this state; ~~((and~~

14 ~~(2))~~ (b) The applicant meets the ~~((continuing professional~~
15 ~~education))~~ CPE requirements of RCW ~~((18.04.105(8))~~ 18.04.215(5);
16 ~~((and~~

17 ~~(3) If the application is for a certificate only:~~

18 ~~(a) The applicant passed the examination required for issuance of~~
19 ~~his or her certificate with grades that would have been passing grades~~
20 ~~at that time in this state; and~~

21 ~~(b) The applicant: Meets all current requirements in this state~~
22 ~~for issuance of a certificate at the time application is made; or at~~
23 ~~the time of the issuance of the applicant's certificate in the other~~
24 ~~state, met all the requirements then applicable in this state; or~~

25 ~~(4) If the application is for a certificate and license:~~

26 ~~(a))~~ (c) The applicant meets the good character requirements of
27 RCW 18.04.105(1)(a); and

28 (d) The applicant passed the examination required for issuance of
29 his or her certificate or license with grades that would have been
30 passing grades at that time in this state~~((;))~~ and

31 ~~((b) The applicant:))~~ meets all current requirements in this state
32 for issuance of a license at the time application is made; or at the
33 time of the issuance of the applicant's license in the other state, met
34 all the requirements then applicable in this state; or has had five
35 years of experience within the ten years immediately preceding
36 application in the practice of public accountancy that meets the
37 requirements prescribed by the board.

1 (2) The board may accept NASBA's designation of the applicant as
2 substantially equivalent to national standards as meeting the
3 requirement of subsection (1)(d) of this section.

4 (3) A licensee who has been granted a license under the reciprocity
5 provisions of this section shall notify the board within thirty days if
6 the license or certificate issued in the other jurisdiction has lapsed
7 or if the status of the license or certificate issued in the other
8 jurisdiction becomes otherwise invalid.

9 **Sec. 9.** RCW 18.04.183 and 1999 c 378 s 3 are each amended to read
10 as follows:

11 The board shall grant a ~~((certificate or))~~ license as a certified
12 public accountant to a holder of a permit, license, or certificate
13 issued by a foreign country's board, agency, or institute, provided
14 that:

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

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

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

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

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

28 (c) Was issued upon the basis of educational, examination,
29 experience, and ethical requirements substantially equivalent currently
30 or at the time of issuance of the foreign permit, license, or
31 certificate to those in this state; ~~((and))~~

32 (4) The applicant has within the thirty-six months prior to
33 application completed an accumulation of one hundred twenty hours of
34 ~~((continuing professional education))~~ CPE as required under RCW
35 ~~((18.04.105(8)))~~ 18.04.215(5). The board shall provide for transition
36 from existing to new ~~((continuing professional education))~~ CPE
37 requirements; ~~((and))~~

38 ~~((If the application is for a certificate:~~

1 ~~(a))~~ The applicant's foreign permit, license, or certificate was
2 the type of permit, license, or certificate requiring the most
3 stringent qualifications if, in the foreign country, more than one type
4 of permit, license, or certificate is issued. This state's board shall
5 decide which are the most stringent qualifications; ~~((and~~

6 ~~(b))~~ (6) The applicant has passed a written examination or its
7 equivalent, approved by the board, that tests knowledge in the areas of
8 United States accounting principles, auditing standards, commercial
9 law, income tax law, and Washington state rules of professional ethics;
10 ~~((or~~

11 ~~(6) If the application is for a certificate and license:~~

12 ~~(a) The requirements of subsections (1) through (5) of this section~~
13 ~~are satisfied;))~~ and

14 ~~((b))~~ (7) The applicant has within the ~~((five))~~ eight years prior
15 to applying for ~~((the certificate and))~~ a license under this section,
16 demonstrated, in accordance with the rules issued by the board, one
17 year of public accounting experience, within the foreign country where
18 the foreign permit, license, or certificate was issued, equivalent to
19 the experience required under RCW 18.04.215(1)(a) or such other
20 experience or employment which the board in its discretion regards as
21 substantially equivalent.

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

27 A licensee who has been granted a license under the reciprocity
28 provisions of this section shall notify the board within thirty days if
29 the permit, license, or certificate issued in the other jurisdiction
30 has lapsed or if the status of the permit, license, or certificate
31 issued in the other jurisdiction becomes otherwise invalid.

32 **Sec. 10.** RCW 18.04.185 and 1999 c 378 s 4 are each amended to read
33 as follows:

34 ~~((1) Application for certification as certified public accountants~~
35 ~~by persons who are not residents of this state constitutes appointment~~
36 ~~of the secretary of state as an agent for service of process in any~~
37 ~~action or proceeding against the applicants arising from any~~
38 ~~transaction, activity, or operation connected with or incidental to the~~

1 ~~practice of public accounting in this state by nonresident holders of~~
2 ~~certified public accountant certificates.~~

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

11 **Sec. 11.** RCW 18.04.195 and 1999 c 378 s 5 are each amended to read
12 as follows:

13 (1) A sole proprietorship engaged in business in this state ((~~in~~
14 ~~the practice of public accounting~~)) and offering to issue or issuing
15 reports on financial statements or using the title CPA or certified
16 public accountant shall license, as a firm, every three years with the
17 board ((~~as a firm~~)).

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

21 (b)) The ((~~person~~)) sole proprietor shall ((~~be a certified public~~
22 ~~accountant holding~~)) hold a license to practice under RCW
23 18.04.215((~~-~~));

24 ((~~e~~)) (b) Each resident ((~~licensee~~)) person in charge of an
25 office ((~~of the sole proprietorship engaged in this state in the~~
26 ~~practice of public accounting~~)) located in this state shall ((be a
27 certified public accountant holding)) hold a license to practice under
28 RCW 18.04.215; and

29 (c) The licensed firm must meet competency requirements established
30 by rule by the board.

31 (2) A partnership engaged in business in this state ((~~in the~~
32 ~~practice of public accounting~~)) and offering to issue or issuing
33 reports on financial statements or using the title CPA or certified
34 public accountant shall license as a firm every three years with the
35 board ((~~as a partnership of certified public accountants~~)), and shall
36 meet the following requirements:

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

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

7 ~~((c))~~ ~~(b)~~ Each resident ~~((licensee))~~ person in charge of an
8 office ~~((of the partnership))~~ in this state ~~((and each resident partner~~
9 ~~personally engaged within this state in the practice of public~~
10 ~~accounting))~~ shall ~~((be a certified public accountant holding))~~ hold a
11 license to practice under RCW 18.04.215;

12 (c) A simple majority of the ownership of the licensed firm in
13 terms of financial interests and voting rights of all partners or
14 owners shall be held by natural persons who are licensees or holders of
15 a valid license issued under this chapter or by another state that
16 entitles the holder to practice public accounting in this state. The
17 principal partner of the partnership and any partner having authority
18 over issuing reports on financial statements shall hold a license under
19 this chapter or issued by another state that entitles the holder to
20 practice public accounting in this state; and

21 (d) The licensed firm must meet competency requirements established
22 by rule by the board.

23 (3) A corporation ~~((organized for the practice of public accounting~~
24 ~~and))~~ engaged in business in this state ~~((in the practice of public~~
25 ~~accounting))~~ and offering to issue or issuing reports on financial
26 statements or using the title CPA or certified public accountant shall
27 license as a firm every three years with the board ((as a corporation
28 of certified public accountants)) and shall meet the following
29 requirements:

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

33 ~~(b)~~ Each shareholder of the corporation shall be a certified public
34 accountant of some state holding a license to practice and shall be))
35 A simple majority of the ownership of the licensed firm in terms of
36 financial interests and voting rights of all shareholders or owners
37 shall be held by natural persons who are licensees or holders of a
38 valid license issued under this chapter or by another state that
39 entitles the holder to practice public accounting in this state and is

1 principally employed by the corporation or actively engaged in its
2 business. (~~No other person may have any interest in the stock of the~~
3 ~~corporation.~~) The principal officer of the corporation and any
4 officer or director having authority over (~~the practice of public~~
5 ~~accounting by the corporation~~) issuing reports on financial statements
6 shall (~~be a certified public accountant of some state holding~~) hold
7 a license (~~to practice~~) under this chapter or issued by another state
8 that entitles the holder to practice public accounting in this state;

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

12 (~~(d)~~) (c) Each resident (~~licensee~~) person in charge of an
13 office (~~of the corporation~~) located in this state (~~and each~~
14 ~~shareholder or director personally engaged within this state in the~~
15 ~~practice of public accounting~~) shall (~~be a certified public~~
16 ~~accountant holding~~) hold a license (~~to practice~~) under RCW
17 18.04.215;

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

26 ~~(f)~~) (e) The corporation shall comply with any other rules
27 pertaining to corporations practicing public accounting in this state
28 as the board may prescribe; and

29 (f) The licensed firm must meet competency requirements established
30 by rule by the board.

31 (4) A limited liability company engaged in business in this state
32 (~~in the practice of public accounting~~) and offering to issue or
33 issuing reports on financial statements or using the title CPA or
34 certified public accountant shall license as a firm every three years
35 with the board (~~as a limited liability company of certified public~~
36 ~~accountants~~), and shall meet the following requirements:

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

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

4 ~~((e))~~ (b) Each resident manager or member in charge of an office
5 ~~((of the limited liability company))~~ located in this state ~~((and each~~
6 ~~resident manager or member personally engaged within this state in the~~
7 ~~practice of public accounting))~~ shall ~~((be a certified public~~
8 ~~accountant holding))~~ hold a license ~~((to practice))~~ under RCW
9 18.04.215;

10 (c) A simple majority of the ownership of the licensed firm in
11 terms of financial interests and voting rights of all owners shall be
12 held by natural persons who are licensees or holders of a valid license
13 issued under this chapter or by another state that entitles the holder
14 to practice public accounting in this state. The principal member or
15 manager of the limited liability company and any member having
16 authority over issuing reports on financial statements shall hold a
17 license under this chapter or issued by another state that entitles the
18 holder to practice public accounting in this state; and

19 (d) The licensed firm must meet competency requirements established
20 by rule by the board.

21 (5) Application for a license as a firm shall be made upon the
22 affidavit of the proprietor or person designated as managing partner,
23 member, or shareholder for Washington. This person shall ~~((be a~~
24 ~~certified public accountant holding))~~ hold a license ~~((to practice))~~
25 under RCW 18.04.215. The board shall determine in each case whether
26 the applicant is eligible for a license. A partnership ~~((or)),~~
27 corporation, or limited liability company which is licensed to practice
28 under RCW 18.04.215 may use the designation "certified public
29 accountants" or "CPAs" in connection with its partnership, limited
30 liability company, or corporate name. The board shall be given
31 notification within ninety days after the admission or withdrawal of a
32 partner ~~((or)),~~ shareholder, or member engaged in this state in the
33 practice of public accounting from any partnership ~~((or)),~~ corporation,
34 or limited liability company so licensed.

35 (6) Licensed firms which fall out of compliance with the provisions
36 of this section due to changes in firm ownership or personnel, after
37 receiving or renewing a license, shall notify the board in writing
38 within thirty days of its falling out of compliance and propose a time
39 period in which they will come back into compliance. The board may

1 grant a reasonable period of time for a firm to be in compliance with
2 the provisions of this section. Failure to bring the firm into
3 compliance within a reasonable period of time, as determined by the
4 board, may result in suspension, revocation, or imposition of
5 conditions on the firm's license.

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

12 (8) Nonlicensee owners of licensed firms are:

13 (a) Required to fully comply with the provisions of this chapter
14 and board rules;

15 (b) Required to be a natural person;

16 (c) Required to be an active individual participant in the licensed
17 firm or affiliated entities as these terms are defined by board rule;
18 and

19 (d) Subject to discipline by the board for violation of this
20 chapter.

21 (9) Resident nonlicensee owners of licensed firms are required to
22 meet:

23 (a) The ethics examination, registration, and fee requirements as
24 established by the board rules; and

25 (b) The ethics CPE requirements established by the board rules.

26 **Sec. 12.** RCW 18.04.205 and 1999 c 378 s 6 are each amended to read
27 as follows:

28 (1) Each office established or maintained in this state for the
29 ~~((practice of public accounting))~~ purpose of offering to issue or
30 issuing reports on financial statements in this state ((by a certified
31 public accountant, or a partnership or corporation of certified public
32 accountants)) or that uses the title "certified public accountant" or
33 "CPA," shall register with the board under this chapter every three
34 years.

35 (2) Each office shall be under the direct supervision of a resident
36 licensee holding a license under RCW 18.04.215 ~~((who may be a sole~~
37 ~~proprietor, partner, principal shareholder, or a staff employee)).~~

1 (3) The board shall by rule prescribe the procedure to be followed
2 to register and maintain offices established in this state for the
3 ~~((practice of public accounting))~~ purpose of offering to issue or
4 issuing reports on financial statements or that use the title
5 "certified public accountant" or "CPA."

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

9 **Sec. 13.** RCW 18.04.215 and 1999 c 378 s 7 are each amended to read
10 as follows:

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

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

21 requirements of RCW 18.04.105(1), 18.04.180, or 18.04.183.

22 (b) To certificate holders meeting the requirements of RCW
23 18.04.105(4).

24 (c) To firms under RCW 18.04.195, ((if all offices of the firm in
25 this state are maintained and registered as required under)) meeting
26 the requirements of RCW 18.04.205.

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

33 (3) An inactive certificate is renewed every three years with
34 renewal subject to the requirements of ethics CPE and the payment of
35 fees, prescribed by the board. Failure to renew the inactive
36 certificate shall cause the inactive certificate to lapse and be
37 subject to reinstatement. The board shall adopt rules providing for

1 fees and procedures for renewal and reinstatement of inactive
2 certificates.

3 (4) A license is issued every three years with renewal subject to
4 requirements of CPE and payment of fees, prescribed by the board.
5 Failure to renew the license shall cause the license to lapse and
6 become subject to reinstatement. Persons holding a lapsed license are
7 prohibited from using the title "CPA" or "certified public accountant."
8 Persons holding a lapsed license are prohibited from practicing public
9 accountancy. The board shall adopt rules providing for fees and
10 procedures for issuance, renewal, and reinstatement of licenses.

11 (5) The board shall adopt rules providing for CPE for licensees and
12 certificate holders. The rules shall:

13 (a) Provide that a licensee shall verify to the board that he or
14 she has completed at least an accumulation of one hundred twenty hours
15 of CPE during the last three-year period to maintain the license;

16 (b) Establish CPE requirements; and

17 (c) Establish when new licensees shall verify that they have
18 completed the required CPE.

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

27 ((~~(4)~~)) (7) A ((~~certified public accountant~~)) licensee shall submit
28 to the board satisfactory proof of having completed an accumulation of
29 one hundred twenty hours of ((~~continuing education~~)) CPE recognized and
30 approved by the board during the preceding three years. Failure to
31 furnish this evidence as required shall make the ((~~certificate~~
32 invalid)) license lapse and subject to reinstatement procedures, unless
33 the board determines the failure to have been due to retirement((~~7~~)) or
34 reasonable cause((~~7~~ or excusable neglect)).

35 The board in its discretion may renew a certificate or license
36 despite failure to furnish evidence of compliance with requirements of
37 ((~~continuing professional education~~)) CPE upon condition that the
38 applicant follow a particular program of ((~~continuing professional~~
39 education)) CPE. In issuing rules and individual orders with respect

1 to (~~continuing professional education~~) CPE requirements, the board,
2 among other considerations, may rely upon guidelines and pronouncements
3 of recognized educational and professional associations, may prescribe
4 course content, duration, and organization, and may take into account
5 the accessibility of (~~continuing education~~) CPE to (~~applicants~~)
6 licensees and certificate holders and instances of individual hardship.

7 (~~(5)~~) (8) Fees for (~~issuance or~~) renewal or reinstatement of
8 certificates and licenses in this state shall be determined by the
9 board under this chapter (~~(18.04-RCW)~~). Fees shall be paid by the
10 applicant at the time the application form is filed with the board.
11 The board, by rule, may provide for proration of fees for
12 (~~certificates and~~) licenses or certificates issued between normal
13 renewal dates.

14 **Sec. 14.** RCW 18.04.295 and 2000 c 171 s 1 are each amended to read
15 as follows:

16 The board (~~of accountancy~~) shall have the power to: Revoke,
17 suspend, (~~or~~) refuse to renew ((a)), or reinstate a license or
18 certificate (~~or license, and may~~); impose a fine in an amount not to
19 exceed ((one)) ten thousand dollars plus the board's investigative and
20 legal costs in bringing charges against a certified public accountant,
21 (~~or~~) a certificate holder, a licensee, a licensed firm, or a
22 nonlicensee holding an ownership interest in a licensed firm; may
23 impose full restitution to injured parties; may impose conditions
24 precedent to renewal of ((the)) a certificate or a license ((of any
25 certified public accountant)); or may prohibit a nonlicensee from
26 holding an ownership interest in a licensed firm, for any of the
27 following causes:

28 (1) Fraud or deceit in obtaining a (~~certificate as a certified~~
29 public accountant, or in obtaining a)) license, or in any filings with
30 the board;

31 (2) Dishonesty, fraud, or negligence while representing oneself as
32 a ((CPA)) nonlicensee owner holding an ownership interest in a licensed
33 firm, a licensee, or a certificate holder;

34 (3) A violation of any provision of this chapter;

35 (4) A violation of a rule of professional conduct promulgated by
36 the board under the authority granted by this chapter;

37 (5) Conviction of a crime or an act constituting a crime under:

38 (a) The laws of this state;

1 (b) The laws of another state, and which, if committed within this
2 state, would have constituted a crime under the laws of this state; or

3 (c) Federal law;

4 (6) Cancellation, revocation, suspension, or refusal to renew the
5 authority to practice as a certified public accountant by any other
6 state for any cause other than failure to pay a fee or to meet the
7 requirements of ~~((continuing education))~~ CPE in the other state;

8 (7) Suspension or revocation of the right to practice matters
9 relating to public accounting before any state or federal agency;

10 For purposes of subsections (6) and (7) of this section, a
11 certified copy of such revocation, suspension, or refusal to renew
12 shall be prima facie evidence;

13 (8) Failure to maintain compliance with the requirements for
14 issuance, renewal, or reinstatement of ~~((the))~~ a certificate or
15 license, or to report changes to the board;

16 (9) Failure to cooperate with the board by:

17 (a) Failure to furnish any papers or documents requested or ordered
18 by the board;

19 (b) Failure to furnish in writing a full and complete explanation
20 covering the matter contained in the complaint filed with the board or
21 the inquiry of the board;

22 (c) Failure to respond to subpoenas issued by the board, whether or
23 not the recipient of the subpoena is the accused in the proceeding;

24 (10) Failure by a nonlicensee owner of a licensed firm to comply
25 with the requirements of this chapter or board rule; and

26 (11) Failure to comply with an order of the board.

27 **Sec. 15.** RCW 18.04.305 and 1992 c 103 s 12 are each amended to
28 read as follows:

29 The board ~~((of accountancy))~~ may revoke, suspend, or refuse to
30 renew the license issued to a firm if at any time the firm does not
31 meet the requirements of this chapter for licensing, or for any of the
32 causes enumerated in RCW 18.04.295, or for any of the following
33 additional causes:

34 (1) The revocation or suspension of the ~~((certificate as a~~
35 ~~certified public accountant))~~ sole-practitioner's license or the
36 revocation or suspension or refusal to renew the ~~((certificate or))~~
37 license of any partner, manager, member, or shareholder; ((or))

1 (2) The revocation, suspension, or refusal to renew the license
2 (~~or permit~~) of the firm, or any partner, manager, member, or
3 shareholder thereof, to practice public accounting in any other state
4 or foreign jurisdiction for any cause other than failure to pay a fee
5 or to meet the CPE requirements of (~~continuing professional education~~
6 ~~in~~) the other state or foreign jurisdiction;

7 (3) Failure by a nonlicensee owner of a licensed firm to comply
8 with the requirements of this chapter or board rule; or

9 (4) Failure of the firm to comply with the requirements of this
10 chapter or board rule.

11 **Sec. 16.** RCW 18.04.335 and 1997 c 58 s 812 are each amended to
12 read as follows:

13 (1) Upon application in writing and after hearing pursuant to
14 notice, the board may:

15 (a) Modify the suspension of, or reissue a certificate or a license
16 to, an individual whose certificate or license has been revoked or
17 suspended; or

18 (b) Modify the suspension of, or reissue a license to a firm whose
19 license has been revoked, suspended, or which the board has refused to
20 renew.

21 (2) In the case of suspension for failure to comply with a support
22 order under chapter 74.20A RCW (~~or a residential or visitation order~~
23 ~~under chapter 26.09 RCW~~), if the person has continued to meet all
24 other requirements for reinstatement during the suspension, reissuance
25 of a certificate or a license shall be automatic upon the board's
26 receipt of a release issued by the department of social and health
27 services stating that the individual is in compliance with the order.

28 **Sec. 17.** RCW 18.04.345 and 1999 c 378 s 8 are each amended to read
29 as follows:

30 (1) No person may assume or use the designation "certified public
31 accountant-inactive" or "CPA-inactive" or any other title, designation,
32 words, letters, abbreviation, sign, card, or device tending to indicate
33 that the person is a certified public accountant-inactive or CPA-
34 inactive unless the person holds a (~~valid~~) certificate (~~as a~~
35 ~~certified public accountant~~). Persons holding only a certificate may
36 not practice public accounting.

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

8 (3) No firm may hold itself out to the public as offering to issue
9 or issuing reports on financial statements, or assume or use the
10 designation "certified public accountant" or "CPA" or any other title,
11 designation, words, letters, abbreviation, sign, card, or device
12 tending to indicate that the firm is composed of certified public
13 accountants or CPAs, unless the firm is licensed under RCW 18.04.195(~~(~~
14 ~~holds a valid license to practice under RCW 18.04.215,~~) and all
15 offices of the firm in this state ((~~for the practice of public~~
16 ~~accounting~~)) are maintained and registered under RCW 18.04.205.

17 (4) No person, partnership, limited liability company, or
18 corporation offering accounting services to the public may hold
19 himself, herself, or itself out to the public, or assume or use along,
20 or in connection with his, hers, or its name, or any other name the
21 title or designation "certified accountant," "chartered accountant,"
22 "licensed accountant," "licensed public accountant," "public
23 accountant," or any other title or designation likely to be confused
24 with "certified public accountant" or any of the abbreviations "CA,"
25 "LA," "LPA," or "PA," or similar abbreviations likely to be confused
26 with "CPA." ((~~However, nothing in this chapter prohibits use of the~~
27 ~~title "accountant" by any person regardless of whether the person has~~
28 ~~been granted a certificate or holds a license under this chapter.~~))

29 (5) No licensed firm may operate under an alias, a firm name,
30 title, or "DBA" that differs from the firm name that is registered with
31 the board.

32 (6) No person may sign, affix, or associate his or her name or any
33 trade or assumed name used by the person in his or her business to any
34 report designated as an "audit," "review," or "compilation," unless the
35 person holds a license to practice under RCW 18.04.215 and a firm
36 license under RCW 18.04.195, and all of the person's offices in this
37 state ((~~for the practice of public accounting are maintained and~~)) are
38 licensed under RCW 18.04.205.

1 ~~((6))~~ (7) No person may sign, affix, or associate a firm name to
2 any report designated as an "audit," "review," or "compilation," unless
3 the firm is licensed under RCW 18.04.195 and 18.04.215, and all of its
4 offices in this state ~~((for the practice of public accounting))~~ are
5 maintained and registered under RCW 18.04.205.

6 ~~((7))~~ (8) No person, partnership, limited liability company, or
7 corporation not holding a license to practice under RCW 18.04.215 may
8 hold himself, herself, or itself out to the public as an "auditor" with
9 or without any other description or designation by use of such word on
10 any sign, card, letterhead, or in any advertisement or directory.

11 ~~((8) No person may assume or use the designation "certified public
12 accountant" or "CPA" in conjunction with names indicating or implying
13 that there is a partnership or corporation, if there is in fact no bona
14 fide partnership or corporation registered under RCW 18.04.195.~~

15 ~~(9) No person, partnership, or corporation holding a license under
16 RCW 18.04.215 may hold himself, herself, or itself out to the public in
17 conjunction with the designation "and Associates" or "and Assoc."
18 unless he or she has in fact a partner or employee who holds a license
19 under RCW 18.04.215.)~~

20 **Sec. 18.** RCW 18.04.350 and 1992 c 103 s 15 are each amended to
21 read as follows:

22 (1) Nothing in this chapter prohibits any person not ~~((a certified
23 public accountant))~~ holding a license from serving as an employee of a
24 firm licensed~~((, or as assistant to, a certified public accountant or
25 partnership composed of certified public accountants or corporation of
26 certified public accountants holding a valid license))~~ under RCW
27 18.04.215. However, the employee or assistant shall not issue any
28 accounting or financial statement over his or her name.

29 (2) ~~((Nothing in this chapter prohibits a certified public
30 accountant registered in another state, or any accountant of a foreign
31 country holding a certificate, degree or license which permits him to
32 practice therein from temporarily practicing in this state on
33 professional business incident to his regular practice))~~ (a) An
34 individual, whose principal place of business is not in this state, who
35 has a valid certificate or license as a certified public accountant
36 from another state, and (i) whose state of licensure has education,
37 examination, and experience requirements that are deemed by the board
38 to be substantially equivalent to this state's requirements or (ii)

1 who, as an individual, has education, examination, and experience that
2 are deemed by the board to be substantially equivalent to this state's
3 requirement shall have all the privileges of license holders of this
4 state without the need to obtain a license under RCW 18.04.105 or
5 18.04.195. However, such individuals shall notify the board, under
6 such circumstances and in such manner as the board determines by rule,
7 of their intent to enter the state under this section. The board shall
8 have the authority to establish a fee for the practice privilege
9 granted under this section by rule.

10 (b) An individual that enters the state under this section and is
11 granted this practice privilege shall abide by this chapter and the
12 rules adopted under this chapter and shall be subject to discipline for
13 violation of this chapter. However, such individual is exempt from the
14 continuing education requirements of this chapter provided the
15 individual has met the continuing education requirements of the state
16 in which the individual holds a valid certificate or license. The
17 board may accept NASBA's designation of the individual's state as
18 substantially equivalent to national standards, or NASBA's designation
19 of the applicant as substantially equivalent to national standards, as
20 meeting the requirement for a certified public accountant to be
21 substantially equivalent to this state's requirements.

22 (c) Any certificate or license holder of another state exercising
23 the privilege afforded under this section consents, as a condition of
24 the grant of this privilege:

25 (i) To the personal and subject matter jurisdiction of the board;
26 (ii) To the appointment of the state board which issued the
27 certificate or license as their agent upon whom process may be served
28 in any action or proceeding by this state's board against the
29 certificate holder or licensee.

30 (d) A licensee of this state offering or rendering services or
31 using their certified public accountant title in another state shall be
32 subject to disciplinary action in this state for an act committed in
33 another state for which the certificate or permit holder would be
34 subject to discipline for an act committed in the other state provided
35 the board receives timely notification of the act. Notwithstanding RCW
36 18.04.295, the board may investigate any complaint made by the board of
37 accountancy of another state.

38 (3) Nothing in this chapter prohibits a ((certified public
39 accountant, a partnership, or corporation of certified public

1 ~~accountants~~) licensee, a licensed firm, or any of their employees from
2 disclosing any data in confidence to other certified public
3 accountants, quality assurance or peer review teams, partnerships,
4 limited liability companies, or corporations of public accountants or
5 to the board or any of its employees engaged in conducting (~~quality,~~)
6 quality assurance(~~,~~) or peer reviews, or any one of their employees
7 in connection with quality or peer reviews of that accountant's
8 accounting and auditing practice conducted under the auspices of
9 recognized professional associations.

10 (4) Nothing in this chapter prohibits a (~~certified public~~
11 ~~accountant, a partnership, or corporation of certified public~~
12 ~~accountants~~) licensee, a licensed firm, or any of their employees from
13 disclosing any data in confidence to any employee, representative,
14 officer, or committee member of a recognized professional association,
15 or to the board (~~of accountancy~~), or any of its employees or
16 committees in connection with a professional investigation held under
17 the auspices of recognized professional associations or the board (~~of~~
18 ~~accountancy~~)).

19 (5) Nothing in this chapter prohibits any officer, employee,
20 partner, or principal of any organization:

21 (a) From affixing his or her signature to any statement or report
22 in reference to the affairs of the organization with any wording
23 designating the position, title, or office which he or she holds in the
24 organization; or

25 (b) From describing himself or herself by the position, title, or
26 office he or she holds in such organization.

27 (6) Nothing in this chapter prohibits any person(~~,~~) or
28 (~~partnership or corporation~~) firm composed of persons not holding a
29 license under RCW 18.04.215 from offering or rendering to the public
30 bookkeeping, accounting, tax services, the devising and installing of
31 financial information systems, management advisory, or consulting
32 services, the preparation of tax returns, or the furnishing of advice
33 on tax matters, the preparation of financial statements, written
34 statements describing how such financial statements were prepared, or
35 similar services, provided that persons, partnerships, limited
36 liability companies, or corporations not holding a license under RCW
37 18.04.215 who offer or render these services do not designate any
38 written statement as an "audit report," "review report," or
39 "compilation report," do not issue any written statement which purports

1 to express or disclaim an opinion on financial statements which have
2 been audited, and do not issue any written statement which expresses
3 assurance on financial statements which have been reviewed.

4 (7) Nothing in this chapter prohibits any act of or the use of any
5 words by a public official or a public employee in the performance of
6 his or her duties.

7 (8) Nothing contained in this chapter prohibits any person who
8 holds only a valid (~~certified public accountant~~) certificate from
9 assuming or using the designation "certified public accountant_
10 inactive" or "CPA-inactive" or any other title, designation, words,
11 letters, sign, card, or device tending to indicate the person is a
12 (~~certified public accountant~~) certificate holder, provided, that such
13 person (~~shall~~) does not (~~hold himself or herself out to the public~~
14 ~~as engaged in the practice of public accounting unless that person~~
15 ~~holds a valid license in addition to the certificate under RCW~~
16 ~~18.04.215~~) perform or offer to perform for the public one or more
17 kinds of services involving the use of accounting or auditing skills,
18 including issuance of reports on financial statements or of one or more
19 kinds of management advisory, financial advisory, consulting services,
20 the preparation of tax returns, or the furnishing of advice on tax
21 matters.

22 (9) Nothing in this chapter prohibits the use of the title
23 "accountant" by any person regardless of whether the person has been
24 granted a certificate or holds a license under this chapter. Nothing
25 in this chapter prohibits the use of the title "enrolled agent" or the
26 designation "EA" by any person regardless of whether the person has
27 been granted a certificate or holds a license under this chapter if the
28 person is properly authorized at the time of use to use the title or
29 designation by the United States department of the treasury. The board
30 shall by rule allow the use of other titles by any person regardless of
31 whether the person has been granted a certificate or holds a license
32 under this chapter if the person using the titles or designations is
33 authorized at the time of use by a nationally recognized entity
34 sanctioning the use of board authorized titles.

35 **Sec. 19.** RCW 18.04.370 and 1983 c 234 s 19 are each amended to
36 read as follows:

37 (1) Any person who violates any provision of this chapter, shall be
38 guilty of a crime, as follows:

1 (a) Any person who violates any provision of this chapter is guilty
2 of a misdemeanor, and upon conviction thereof, shall be subject to a
3 fine of not more than ((one)) ten thousand dollars, or to imprisonment
4 for not more than six months, or to both such fine and imprisonment.

5 (b) Notwithstanding (a) of this subsection, any person who uses a
6 professional title intended to deceive the public, in violation of RCW
7 18.04.345, having previously entered into a stipulated agreement and
8 order of assurance with the board, is guilty of a felony, and upon
9 conviction thereof, is subject to a fine of not more than ten thousand
10 dollars, or to imprisonment for not more than two years, or to both
11 such fine and imprisonment.

12 (2) With the exception of first time violations of RCW 18.04.345,
13 subject to subsection (3) of this section whenever the board has reason
14 to believe that any person is violating the provisions of this chapter
15 it shall certify the facts to the prosecuting attorney of the county in
16 which such person resides or may be apprehended and the prosecuting
17 attorney shall cause appropriate proceedings to be brought against such
18 person.

19 (3) The board may elect to enter into a stipulated agreement and
20 orders of assurance with persons in violation of RCW 18.04.345 who have
21 not previously been found to have violated the provisions of this
22 chapter. The board may order full restitution to injured parties as a
23 condition of a stipulated agreement and order of assurance.

24 (4) Nothing herein contained shall be held to in any way affect the
25 power of the courts to grant injunctive or other relief as above
26 provided.

27 **Sec. 20.** RCW 18.04.380 and 1986 c 295 s 17 are each amended to
28 read as follows:

29 (1) The display or presentation by a person of a card, sign,
30 advertisement, or other printed, engraved, or written instrument or
31 device, bearing a person's name in conjunction with the words
32 "certified public accountant" or any abbreviation thereof((, or
33 "licensed public accountant" or any abbreviation thereof, or "public
34 accountant" or any abbreviation thereof,)) shall be prima facie
35 evidence in any action brought under this chapter that the person whose
36 name is so displayed, caused or procured the display or presentation of
37 the card, sign, advertisement, or other printed, engraved, or written
38 instrument or device, and that the person is holding himself or herself

1 out to be a licensee, a certified public accountant, or a (~~public~~
2 ~~accountant holding a license to practice~~) person holding a certificate
3 under this chapter.

4 (2) The display or presentation by a person of a card, sign,
5 advertisement, or other printed, engraved, or written instrument or
6 device, bearing a person's name in conjunction with the words certified
7 public accountant-inactive or any abbreviation thereof is prima facie
8 evidence in any action brought under this chapter that the person whose
9 name is so displayed caused or procured the display or presentation of
10 the card, sign, advertisement, or other printed, engraved, or written
11 instrument or device, and that the person is holding himself or herself
12 out to be a certified public accountant-inactive under this chapter.

13 (3) In any (~~such~~) action under subsection (1) or (2) of this
14 section, evidence of the commission of a single act prohibited by this
15 chapter is sufficient to justify an injunction or a conviction without
16 evidence of a general course of conduct.

17 **Sec. 21.** RCW 18.04.390 and 1992 c 103 s 16 are each amended to
18 read as follows:

19 (1) In the absence of an express agreement between the (~~certified~~
20 ~~public accountant~~) licensee or licensed firm and the client to the
21 contrary, all statements, records, schedules, working papers, and
22 memoranda made by a (~~certified public accountant~~) licensee or
23 licensed firm incident to or in the course of professional service to
24 clients, except reports submitted by a (~~certified public accountant to~~
25 ~~a client~~) licensee or licensed firm, are the property of the
26 (~~certified public accountant~~) licensee or licensed firm.

27 (2) No statement, record, schedule, working paper, or memorandum
28 may be sold, transferred, or bequeathed without the consent of the
29 client or his or her personal representative or assignee, to anyone
30 other than one or more surviving partners, shareholders, or new
31 partners or new shareholders of the (~~accountant~~) licensee,
32 partnership, limited liability company, or corporation, or any combined
33 or merged partnership, limited liability company, or corporation, or
34 successor in interest.

35 (3) A licensee shall furnish to the board or to his or her client
36 or former client, upon request and reasonable notice:

37 (a) A copy of the licensee's working papers or electronic
38 documents, to the extent that such working papers or electronic

1 documents include records that would ordinarily constitute part of the
2 client's records and are not otherwise available to the client; and

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

8 (4) Nothing in this section shall require a licensee to keep any
9 work paper or electronic document beyond the period prescribed in any
10 other applicable statute.

11 (5) Nothing in this section should be construed as prohibiting any
12 temporary transfer of workpapers or other material necessary in the
13 course of carrying out peer reviews or as otherwise interfering with
14 the disclosure of information pursuant to RCW 18.04.405.

15 **Sec. 22.** RCW 18.04.405 and 1992 c 103 s 17 are each amended to
16 read as follows:

17 (1) A (~~certified public accountant, a partnership or corporation~~
18 ~~of certified public accountants~~) licensee, certificate holder, or
19 licensed firm, or any of their employees shall not disclose any
20 confidential information obtained in the course of a professional
21 transaction except with the consent of the client or former client or
22 as disclosure may be required by law, legal process, the standards of
23 the profession, or as disclosure of confidential information is
24 permitted by RCW 18.04.350 (3) and (4), 18.04.295(8), 18.04.390, and
25 this section in connection with (~~quality,~~) quality assurance, or peer
26 reviews, investigations, and any proceeding under chapter 34.05 RCW.

27 (2) This section shall not be construed as limiting the authority
28 of this state or of the United States or an agency of this state, the
29 board, or of the United States to subpoena and use such confidential
30 information obtained by a licensee, or any of their employees in the
31 course of a professional transaction in connection with any
32 investigation, public hearing, or other proceeding, nor shall this
33 section be construed as prohibiting a licensee or certified public
34 accountant whose professional competence has been challenged in a court
35 of law or before an administrative agency from disclosing confidential
36 information as a part of a defense to the court action or
37 administrative proceeding.

1 (3) The proceedings, records, and work papers of a review committee
2 shall be privileged and shall not be subject to discovery, subpoena, or
3 other means of legal process or introduction into evidence in any civil
4 action, arbitration, administrative proceeding, or ((state
5 accountancy)) board proceeding and no member of the review committee or
6 person who was involved in the ((quality)) peer review process shall be
7 permitted or required to testify in any such civil action, arbitration,
8 administrative proceeding, or ((state-accountancy)) board proceeding as
9 to any matter produced, presented, disclosed, or discussed during or in
10 connection with the ((quality)) peer review process, or as to any
11 findings, recommendations, evaluations, opinions, or other actions of
12 such committees, or any members thereof. Information, documents, or
13 records that are publicly available are not to be construed as immune
14 from discovery or use in any civil action, arbitration, administrative
15 proceeding, or ((state-accountancy)) board proceeding merely because
16 they were presented or considered in connection with the quality
17 assurance or peer review process.

18 NEW SECTION. Sec. 23. This act is necessary for the immediate
19 preservation of the public peace, health, or safety, or support of the
20 state government and its existing public institutions, and takes effect
21 July 1, 2001."

22 **2SSB 5593** - S AMD 079
23 By Senator Gardner

24 ADOPTED 03/13/01

25 On page 1, line 1 of the title, after "act;" strike the remainder
26 of the title and insert "amending RCW 18.04.015, 18.04.025, 18.04.035,
27 18.04.045, 18.04.055, 18.04.065, 18.04.105, 18.04.180, 18.04.183,
28 18.04.185, 18.04.195, 18.04.205, 18.04.215, 18.04.295, 18.04.305,
29 18.04.335, 18.04.345, 18.04.350, 18.04.370, 18.04.380, 18.04.390, and
30 18.04.405; prescribing penalties; providing an effective date; and
31 declaring an emergency."

EFFECT: The amendment (1) clarifies the requirements for
transitioning to a license from an inactive certificate; (2) specifies
that the Board of Accountancy will issue three-year licenses to persons
who qualify as new licensees, including those licensed under

reciprocity provisions, and to persons who hold certificates on June 30, 2001, and who petition to become licensees; and (3) includes technical changes to make language consistent.

--- END ---