

FORM OF ORDER AND TRANSMITTAL BY BOARD, COMMISSION, OR COUNCIL

State of Washington

BOARD OF ACCOUNTANCY
(name of governing body)

(agency name, if applicable)

Resolution No. _____

Administrative Order No. ACB 105

(1) Be it resolved by the Washington State Board of Accountancy

acting at Seattle, Washington

(place)

that it does adopt the annexed rules relating to:

chapter 4-25 WAC

(2) ALTERNATIVE A. Use only for Adoption of Permanent Rules.

This action is taken pursuant to Notice No. WSR 83-19-007
filed with the code reviser on 9/9/83. These rules shall take effect:

- thirty days after they are filed with the code reviser pursuant to RCW 34.04.040(2).
- at a later date, such date being _____.

(2) ALTERNATIVE B. Use only for Adoption of Emergency Rules.

We, _____, find that an emergency exists and that this order is necessary for the preservation of the public health, safety, or general welfare and that observance of the requirements of notice and opportunity to present views on the proposed action would be contrary to public interest. A statement of the facts constituting the emergency is:

These rules are therefore adopted as emergency rules to take effect upon filing with the code reviser.

(3) Pursuant to the requirements of RCW 34.04.026¹ that "every agency shall incorporate the most specific, but in no case omit all, of the following language alternatives when adopting or amending rules" fill in statement (a), (b), or (c) as appropriate:

(a) This rule is promulgated pursuant to RCW 18.04.070 and is intended to administratively implement that statute.

(b) This rule is promulgated pursuant to RCW _____ which directs that the

(agency)

has authority to implement the provisions of

(name of act or RCW citation)

(c) This rule is promulgated under the general rule-making authority of the

(agency)

as authorized in RCW _____

(4) The undersigned hereby declares that the agency has complied with the provisions of the Open Public Meetings Act (chapter 42.30 RCW), the Administrative Procedure Act (chapter 34.04 RCW), and the State Register Act (chapter 34.08 RCW) in the adoption of these rules.

(5) This order, after being first recorded in the order register of this governing body, is herewith transmitted to the Code Reviser for filing pursuant to RCW 34.04 RCW and chapter 1-12 WAC.

APPROVED AND ADOPTED FILED September 9, 1983

OCT 26 1983

CODE REVISER'S OFFICE
WSR 83-22-032

By E. William Parker
E. William Parker, CPA
Chairman

Title

NEW SECTION

WAC 4-25-020 DEFINITIONS. For purposes of these rules the following terms have the meanings indicated:

- (1) "Act" means the Public Accounting Act of 1983.
- (2) "Board" means the Washington State Board of Accountancy.
- (3) "Client" means the person or entity which retains a licensee for the performance of professional services.
- (4) "Enterprise" means any person or entity, whether organized for profit or not, with respect to which a licensee performs professional services.
- (5) "Firm" means a sole proprietorship, a corporation or a partnership.
- (6) "Financial statements" means statements and footnotes related thereto that purport to show financial position which relates to a period of time, or changes in financial position which relate to a period of time, or results of operations, on the basis of generally accepted accounting principles or another comprehensive basis of accounting. The term does not include incidental financial data included in management advisory services reports to support recommendations to a client, nor does it include tax returns and supporting schedules.
- (7) "He," "his," and "him" mean, where applicable, the corresponding feminine and neuter pronouns also.
- (8) "Licensee" means the holder of a certificate issued under the Act, or of a permit issued under the Act; or, in each case, under corresponding provisions of prior law.
- (9) "Practice of (or practicing) public accountancy" means performing services as one skilled in the knowledge and practice of public accounting and preparing reports designated as "audit reports," "review reports," and "compilation reports."
- (10) "Professional services" means any services performed or offered to be performed by a licensee for a client in the course of a practice of public accountancy.
- (11) "Public communication" means a communication made in identical form to multiple persons or to the world at large, as by television, radio, motion picture, newspaper, pamphlet, mass mailing, letterhead, business card or directory.
- (12) "Opinions on financial statements" are any reports prepared by certified public accountants, including audits based on examinations in accordance with generally accepted auditing standards and review and compilation reports based on Statements on Standards for Accounting and Review Services (SSARS) 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, in accordance with pronouncements or other authoritative media formally issued by the American Institute of Certified Public Accountants or any of its subdivisions including but not limited to the FASB and SSARS.

NEW SECTION

WAC 4-25-130 OTHER RESPONSIBILITIES AND PRACTICES. A licensee shall not commit any act that reflects adversely on his fitness to engage in the practice of public accountancy.

A licensee shall not permit others to carry out on his behalf, either with or without compensation, acts which, if carried out by the licensee, would place him in violation of the Rules of Conduct.

A licensee shall not use or participate in the use of any form of communication having reference to his professional services which contains a false, fraudulent, misleading, deceptive or unfair statement or claim. A false, fraudulent, misleading, deceptive or unfair statement or claim includes but is not limited to a statement or claim which:

- (1) Contains a misrepresentation of fact; or
- (2) Is likely to mislead or deceive because it fails to make full disclosure of relevant facts; or
- (3) Contains any testimonial, laudatory or other statement or implication that the licensee's professional services are of exceptional quality, if not supported by verifiable facts; or
- (4) Is intended or likely to create false or unjustified expectations of favorable results; or
- (5) Implies educational or professional attainments or licensing recognition not supported in fact; or
- (6) States or implies that the licensee has received formal recognition as a specialist in any aspect of the practice of public accountancy, except in accordance with rules adopted by the Board; or
- (7) Represents that professional services can or will be competently performed for a stated fee when this is not the case, or make representations with respect to fees for professional services that do not disclose all variables that may reasonably be expected to affect the fees that will in fact be charged; or
- (8) Contains other representations or implications that in reasonable probability will cause an ordinarily prudent person to misunderstand or be deceived.

A licensee shall not by any direct personal or public communication solicit an engagement to perform professional services (a) if the communication would violate any of these rules or (b) by the use of coercion, duress, compulsion, intimidation, threats, overreaching, or vexatious or harassing conduct.

A licensee may practice public accountancy only in a proprietorship, a partnership or a professional corporation meeting the requirements of the Act.

NEW SECTION

WAC 4-25-140 CERTIFIED PUBLIC ACCOUNTANTS. (1) As used in these rules, a "semester hour" means the conventional college semester hour. Quarter hours may be converted to semester hours by multiplying them by two-thirds.

(2) For purposes of Section 7(b) of the Act the Board will recognize colleges and universities which are accredited in

accordance with subsections 3 through 6 of this rule.

(3) An accredited college or university is a four year degree-granting college or university accredited at the time applicant's degree was received by virtue of membership in one of the following regional accrediting agencies:

(a) Middle States Association of College and Secondary Schools;

(b) New England Association of Schools and Colleges;

(c) North Central Association of Colleges and Secondary Schools;

(d) Northwest Association of Schools and Colleges;

(e) Southern Association of Colleges and Schools; and

(f) Western Association of Schools and Colleges.

(4) A listing of accredited colleges and universities as recognized by the Board is contained in "Accredited Institutions of Postsecondary Education" published by the U. S. Department of Education, National Center for Education Statistics.

(5) If an institution was not accredited at the time an applicant's degree was received but is so accredited at the time his application is filed with the Board, the institute will be deemed to be accredited for the purpose of subsection (4), provided that it:

(a) Certified that the applicant's total educational program would qualify him for graduation with a baccalaureate degree during the time the institution has been accredited; and

(b) Furnishes the Board satisfactory proof, including college catalogue course numbers and descriptions, that the pre-accredited courses used to qualify the applicant as an accounting major are substantially equivalent to post-accrediting courses.

(6) If an applicant's degree was received at an accredited college or university as defined by subsection (3) or (5), but the educational program which was used to qualify him as an accounting major included courses taken at nonaccredited institutions, either before or after graduation, such courses will be deemed to have been taken at the accredited institution from which applicant's degree was received, provided the accredited institution either:

(a) Has accepted such courses by including them in its official transcript; or

(b) Certifies to the Board that it will accept such courses for credit toward graduation.

(7) A graduate of a four-year-granting institution not accredited at the time the applicant's degree was received or at the time his application was filed will be deemed to be a graduate of a four-year accredited college or university if a credentials evaluation service approved by the Board certifies that the applicant's degree is equivalent to a degree from an accredited college or university as defined in subsection (3).

(8) The concentration in accounting and related subjects or its equivalent shall be determined in accordance with the following provisions of this rule:

(a) A concentration in accounting, for purposes of Section 7(b) of the Act shall consist of at least:

(i) Twenty-four semester hours or the equivalent, in accounting subjects including elementary accounting courses; and

(ii) Twenty-four semester hours or the equivalent, in business administration subjects which shall include business law, finance, economics, and data processing.

(iii) Appropriate college-level courses which are taken without credit may be considered equivalent to courses taken for credit for purposes of this section.

(b) Applicants for the certified public accountant examination whose original application is approved prior to September 1, 1986, and reapplicants whose original application was approved prior to September 1, 1985 shall not be required to comply with subsection (8)(a)(i) and (8)(a)(ii) of this rule.

NEW SECTION

WAC 4-25-141 APPLICATIONS. Applications to take the certified public accountant examination must be made on a form provided by the Board and filed with the Board on or before March 1 for the May examination and September 1 for the November examination.

An application will not be considered until the examination fee and all required supporting documents have been received, including photographs, official transcripts and certification of degree.

Applicants whose graduation occurs after the deadlines may file official transcripts and certification of degrees after those deadlines but not later than 150 days after the date of the examination.

An applicant who fails to appear for examination or reexamination shall forfeit the fees charged the examination and reexamination.

Notice of the time and place of the examination shall be mailed at least ten days prior to the date set for the examination to each candidate whose application to sit for the examination has been approved by the Board.

The examination required by section 7(c) of the Act shall be the Uniform CPA Examination, including the following subjects:

- (1) Auditing
- (2) Business Law
- (3) Theory of Accounts, and
- (4) Accounting Practices I and II.

In addition to the Uniform CPA Examination, candidates shall be required to pass an examination, or alternatively to complete a course of study, prescribed by or acceptable to the Board, in professional ethics.

A passing grade for each subject shall be seventy-five. The Board uses the Advisory Grading Services of the American Institute of Certified Public Accountants.

An applicant, at each sitting of the examination in which he takes any part of the examination, must take all parts not previously passed.

An applicant who at one sitting for the examination receives a passing grade in any two parts of the examination, or in the subject Accounting Practice I and II, and who receives a grade of at least fifty in each of the remaining parts, shall be granted credit for parts passed, on the condition that the applicant receives a passing grade in each of the remaining parts of reexamination at one or more of the next six consecutive examinations.

An applicant who at one sitting for the examination receives a passing grade in any three parts of the examination shall, regardless of the grade received on the remaining part, be granted credit for the parts passed, on the condition that the applicant receives a passing grade in the remaining part on reexamination at one of the next six consecutive examinations.

For purposes of satisfying the education requirements of Section 7(b) of the Act, an applicant holding a certificate of another state must complete semester hours, or the equivalent, in an accredited institution as defined by the foregoing rules which shall include not less than nine semester hours, or the equivalent, in accounting and auditing subjects and six semester hours, or the equivalent, in business administration subjects, such as economics, business law and finance.

NEW SECTION

WAC 4-25-180 PERMITS TO PRACTICE--INDIVIDUAL. (1) Applications for initial permits to practice and for renewal of permits pursuant to Section 11 of the Act shall be made on a form provided by the Board and, in the case of applications for renewal, shall be filed no later than April 30 of the year of expiration. Applications will not be considered filed until the applicable fee is received. If an application for permit renewal is received late, it shall also be accompanied by the applicable delinquency fee.

(2) Applications for renewal of permits shall be accompanied by evidence satisfactory to the Board that the applicant has complied with the continuing professional education requirements under Section 11(3) of the Act.

(3) Permits expire on June 30 of every other year and have a duration of two years.

NEW SECTION

WAC 4-25-181 EXPERIENCE. the experience in the practice of public accountancy, required to be demonstrated for issuance of an initial permit pursuant to Section 11(1)(a) of the Act shall meet the requirements of this rule:

(1) The applicant shall show that he has had employment as a staff accountant for a certified public accountant or a firm of certified public accountants, or equivalent experience satisfactory to the Board. Such employment shall include practical public accounting experience, or the equivalent of such experience, of reasonable variety and importance and requiring independent thought and judgment, under the direct supervision of a holder of a certificate as certified public accountant.

(2) The applicant shall also show to the satisfaction of the Board that the employment has included all of the following:

(a) Experience in applying a variety of auditing

procedures and techniques to the usual and customary financial transactions recorded in accounting records;

(b) Experience in the preparation of audit working papers covering the examination of the accounts usually found in accounting records;

(c) Experience in planning programs of audit work including the selection of procedures to be followed;

(d) Experience in the preparation of written explanation and comments on the findings of an examination and on the content of accounting records; and

(e) Experience in the preparation and analysis of financial statements together with explanation and notes thereon.

(3) The experience prescribed by subsections (1) and (2) may be fulfilled by a combination of financial audits, reviews, compilations, compliance audits, operational audits and management audits.

(4) Experience obtained outside public accounting must include the requirements of subsections (1) and (2), and may require more than one year. In appraising such experience, the Board may require an interview and/or a review of audit workpapers and reports.

Any licensee who, having been requested by an applicant to submit to the Board evidence of the applicant's experience, has refused to do so, shall upon request by the Board explain in writing or in person the basis for such refusal.

Any licensee who has furnished evidence of an applicant's experience to the Board shall upon request by the Board explain in writing or in person the information so provided.

The Board may require inspection, by the Board itself or by its representatives, of documentation relating to an applicant's claimed experience. Such inspections may, at the option of the Board, be made at the Board's office, in which case any licensee having custody of such documentation shall produce it upon request at such office.

NEW SECTION

WAC 4-25-182 CONTINUING PROFESSIONAL EDUCATION. The following requirements of continuing professional education apply to the biennial renewal of permits to practice public accounting pursuant to Section 11(3) of the Act:

(1) An applicant seeking regular biennial renewal of a permit shall show that he has completed no less than 80 hours of continuing professional education during the two-year period preceding renewal, of which no less than 16 hours of accounting and/or auditing subjects must be obtained in each year. PROVIDED, a licensee is exempt from the accounting and/or auditing subject requirement for any calendar year in a reporting period during which the licensee was not involved in the preparation of reports on financial statements. Of the total requirement of 80 hours, no more than 16 hours may be in continuing professional education course subjects deemed "non-technical" by the Board.

(2) An applicant who has previously held a permit but whose permit has at the time of application lapsed shall make the same showing as prescribed in subsection (1).

(3) An applicant seeking to renew an initial permit issued less than two years but more than one year prior to the renewal must show that he has completed at least 40 hours of such continuing professional education.

The Board may in particular cases make exceptions to these requirements for reasons of individual hardship including health, military service, foreign residence, retirement, or other good cause.

NEW SECTION

WAC 4-25-183 PROGRAM STANDARDS. (1) A program qualifies as acceptable continuing professional education for purposes of Section 11(3) of the Act if it is a formal program of learning which contributes to the growth in the professional knowledge and professional competence of an individual in the practice of public accountancy, and meets the minimum standards of quality of development and presentation and of measurement and reporting of credits set forth in the Statement on Standards for Formal Continuing Education Programs published by the National Association of State Boards of Accountancy, or such other educational standards as may be established from time to time by the Board.

(2) Subject Areas. Programs dealing with the following general subject areas are acceptable so long as they meet the standards in subsection (1):

- (a) Accounting and auditing;
- (b) Taxation;
- (c) Management;
- (d) Computer science;
- (e) Communication arts;
- (f) Mathematics, statistics, probability and quantitative applications in business;
- (g) Economics;
- (h) Business law;
- (i) Functional fields of business, including finance, production, marketing, personnel relations, and business management and organization;
- (j) Specialized areas of industry (film industry, real estate, farming, etc.);
- (k) Administrative practice (engagement letters, personnel, etc.).

Subjects other than those listed above may be acceptable if the applicant can demonstrate that they contribute to his professional competence. The responsibility for demonstrating that a particular program is acceptable rests solely upon the applicant.

(3) Group Programs. Group programs such as the following are acceptable so long as they meet the standards specified in subsection (1) and deal with subjects referred to in subsection (2):

- (a) Professional education and development programs of national, state and local accounting organizations;
- (b) Technical sessions at meetings of national, state and local accounting organizations and their chapters;
- (c) University or college courses, both credit and non-credit;

- (d) Formal in-firm education programs;
- (e) Programs of other organizations (accounting, industrial, professional, etc.);
- (f) Committee meetings of professional societies which are structured as formal educational programs;
- (g) Dinner, luncheon and breakfast meetings which are structured as formal educational programs;
- (h) Firm meetings for staff and/or management groups which are structured as formal education programs. Portions of such meetings devoted to the communication and application of general professional policy or procedure may qualify, but portions devoted to firm administrative, financial and operating matters generally will not qualify.

(4) Credit. Continuing professional education credit will be given for whole hours only, with a minimum of fifty minutes constituting one hour. As an example, one hundred minutes of continuous instructions would count as two hours; however, more than fifty minutes but less than one hundred minutes of continuous instruction would count only as one hour. For attendees, only time spent in instruction, and not preparation time, will be credited. For university or college courses, each semester hour of credit shall equal fifteen hours toward the requirement, and a quarter hour of credit, shall equal ten hours.

(5) Correspondence and Formal Individual Study Programs. The amount of credit to be allowed for correspondence and formal individual study programs (including taped study programs) will be that which is recommended by the program sponsor on the basis of one-half the average completion time under appropriate "field tests." Applicants claiming credit for such correspondence or formal individual study courses are required to obtain evidence of satisfactory completion of the course from the program sponsor. Credit will be allowed in the renewal period in which course is completed.

(6) Instructor, Discussion Leader, or Speaker. Applicants who have served as instructors, discussion leaders, and speakers at programs coming under subsection (1), (2) and (3) may claim continuing professional education credit for both preparation and presentation time. Credit may be claimed for actual preparation time up to two times the presentation hours. The maximum credit for such preparation and teaching is sixty percent of the applicable renewal period requirement.

(7) Published Articles, Books. Credit toward the continuing professional education requirement may be claimed for published articles and books, provided they contribute to the professional competence of the licensee. Credit for preparation of such publications may be claimed on a self-declaration basis for up to twenty-five percent of the renewal period requirement. In exceptional circumstances a licensee may request additional credit by submitting the article(s) or book(s) to the Board with an explanation of the circumstances which justify a greater credit. The amount of credit awarded for a given publication will be determined by the Board.

WAC 4-25-184 REPORTS. Applicants for renewal of permits to practice pursuant to Section 11 of the Act shall file with their applications therefor a signed statement of the continuing professional education programs for which they claim credit, showing:

- Sponsoring organization;
- Location of program;
- Title of program or description of content;
- Dates attended; and
- Hours claimed.

Responsibility for documenting the entitlement to credits rests with the applicant. Such documentation should be retained for a period of five years after the completion of the program. Such documentation may consist of the following:

(1) Copy of the course outline prepared by the course sponsor along with the information required by paragraph 1.

(2) For courses taken for scholastic credit in accredited universities and colleges, evidence of satisfactory completion of the course will be sufficient; for non-credit courses taken, a statement of the hours of attendance, signed by the instructor, is required.

(3) For formal individual study programs written evidence of completion.

The Board or its designees may verify on a test basis information submitted by applicants for permits. In cases where the Board determines that the requirement is not met, the Board may grant an additional period of time in which the deficiencies can be cured.®