

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

State of Washington

WASHINGTON STATE BOARD OF ACCOUNTANCY

(name of governing body)

(agency name, if applicable)

Resolution No. _____

Administrative Order No. ACB-128

(1) Be it resolved by the Washington State Board of Accountancy, acting at Tacoma, Washington in special meeting held December 19, 1986 (place) that it does adopt the annexed rules relating to:

WAC 4-25-280 QUALITY ASSURANCE REVIEW PROGRAM

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

This action is taken pursuant to Notice No. WSR 86-20-087 filed with the code reviser on 10/01/86. 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 _____ and is intended to administratively implement that statute.

(b) This rule is promulgated pursuant to RCW 18.04.055 [7] which directs that the

Washington State Board of Accountancy

(agency)

has authority to implement the provisions of

Chapter 18.04.RCW

(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 chapter 34.04 RCW and chapter 1-12 WAC.

APPROVED AND ADOPTED December 19, 1986

STATE OF WASHINGTON FILED

By [Signature]

Chief Executive Officer

Title

JAN 16 1987

CODE REVISER'S OFFICE

WSR 87-03-040

NEW SECTION

WAC 4-25-280 QUALITY ASSURANCE REVIEW PROGRAM. (1) PURPOSE. The Washington state board of accountancy is charged with protection of the public interest as it relates to the licensure of certified public accountants. The purpose of the quality assurance review program (hereinafter referred to as program) is to monitor licensees' compliance with professional standards.

(2) STRUCTURE AND IMPLEMENTATION.

(a) The board will annually appoint a quality review committee (hereinafter referred to as committee) of five members to perform the following functions:

(i) Review of financial statements and the reports of licensees thereon to assess their compliance with applicable professional standards;

(ii) Improvement of reporting practices of licensees through education and rehabilitative measures;

(iii) Referral of cases requiring further investigation to the board or its designees; and

(iv) Such other functions as the board may assign to the committee.

(b) With respect to a firm required to renew a biennial license for a period beginning on or after July 1, 1987, such firm shall submit, for each of its offices, the following reports which have been issued by that office during the twelve months preceding the date of application if any report of such type was issued during the period:

(i) A compilation report;

(ii) A review report; and

(iii) An audit report.

(If reports issued by all offices of a firm are reviewed and issued in a controlled, centralized process, only one of each of the reports specified above shall be submitted by the firm as a whole.)

(c) The board may exempt from the requirement of subsection (b) of this section any firm which within the three years immediately preceding the application has been subjected to a peer review and submits with its application a copy of an unmodified report from a reviewing organization acceptable to the board. Firms which received modified peer review reports shall submit copies of such reports and related correspondence, at the discretion of the board, for consideration on an individual basis.

(d) Any documents submitted in accordance with subsection (b) of this section may have the name of the client, the client's address, and other identifying factors omitted, provided that the omission does not render the type or nature of the enterprise undeterminable. Dates may not be omitted.

(e) The committee may also solicit for review financial statements and related reports of licensees from clients, public agencies, banks, and other users of financial statements.

(f) In gathering information about the professional work of licensees, the committee may make use of investigators, either paid or unpaid, who are not themselves members of the committee.

(g) The identities of the sources of financial statements and reports received by the board or the committee from other than the licensees who issued the reports shall be preserved in confidence. Reports submitted to the committee pursuant to subsection (b) of this section and comments of reviewers, the committee and the board on such reports or workpapers relating thereto, shall also be preserved in confidence except to the extent that they are communicated by the board to the licensees who issued the reports or disclosure is required under administrative procedure rules or by direction of a court of law.

(h) The committee's review of financial statements and reports of the licensees thereon shall be directed toward the following:

(i) Presentation of financial statements in conformity with generally accepted accounting principles;

(ii) Compliance by licensees with generally accepted auditing standards;

(iii) Compliance by licensees with other professional standards;

and

(iv) Compliance by licensees with the rules of the board and other regulations relating to the practice of public accounting.

(i) If the board determines that a report referred to the board by the committee is substandard or seriously questionable with respect to applicable professional standards, the board may take any one or more of the following actions:

(i) The board may submit to the licensee firm a letter of comment detailing the perceived deficiencies and require the licensee to develop quality control procedures to insure that similar occurrences will not occur in the future;

(ii) The board may require any individual licensee who had responsibility for issuance of a report, or who substantially participated in preparation of the report and/or related workpapers, to successfully complete specific courses or types of continuing education as specified by the board;

(iii) The board may require that the office responsible for a substandard report submit all or specified categories of its reports to a preissuance review in a manner and for a duration prescribed by the board;

(iv) The board may require the office or the licensee firm responsible for a substandard report to submit to a peer review conducted in accordance with standards acceptable to the board;

(v) The board may require the licensee firm responsible for substandard work to submit to on-site review or other investigative procedures of work product and practices by board representatives in order to assess the degree or pervasiveness of substandard work. The board may assess the costs of such procedures to the firm if the results of such investigative efforts substantiate the existence of substandard work product;

(vi) If it appears that the professional conduct reflected in a substandard report is so serious as to warrant consideration of possible disciplinary action, the board may initiate an investigation pursuant to RCW 18.04.320.