

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

State of Washington

Board of Accountancy

(name of governing body)

Board of Accountancy

(agency name, if applicable)

Resolution No. _____

Administrative Order No. ACB-136

(1) Be it resolved by the Board of Accountancy acting at Tacoma, Washington (place)

that it does adopt the annexed rules relating to:

Adopt WAC 4-25-185, 186, 187, 188
Repeal WAC 4-25-182, 183, 184

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

This action is taken pursuant to Notice No. 87-15-141 filed with the code reviser on July 22, 1987. These rules shall take effect:
[X] 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 34.04.026 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:

[X] (a) This rule is promulgated pursuant to RCW 18.04.105(9)-(11); 18.04.215 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 chapter 34.04 RCW and chapter 1-12 WAC.

APPROVED AND ADOPTED August 28, 1987

STATE OF WASHINGTON FILED

By [Signature] Chief Executive Officer
Title

SEP 21 1987

CODE REVISER'S OFFICE WSR 87-19-118

NEW SECTION

WAC 4-25-185 CONTINUING PROFESSIONAL EDUCATION. WHO MUST HAVE CPE. The following requirements of continuing professional education apply to the biennial renewal, or initial issue if by reciprocity, of certificates and licenses to practice public accounting pursuant to RCW 18.04.105(9) and 18.04.215(4). Renewal of a license to practice means simultaneous renewal of the license and the certificate. Certificates issued to persons born in even-numbered years are subject to renewal on July 1, 1988, and biennially thereafter. Certificates issued to persons born in odd-numbered years are subject to renewal on July 1, 1989, and biennially thereafter. Each certificate holder shall verify to the board that he has completed at least eighty hours of continuing professional education during the last two-year period unless he can demonstrate that the failure was due to reasonable cause. Persons who are retired, and persons who are certificate holders, but who do not make any public, professional, commercial, or occupational use of the title certified public accountant shall be deemed to have met the reasonable cause exception provided by RCW 18.04.105(11) and 18.04.215(4). The board may, in particular cases, make exceptions to these requirements for reasons of individual hardship including health, military service, foreign residence, or other reasonable cause.

(1) HOURS REQUIRED.

(a) PUBLIC ACCOUNTING LICENSE. An applicant seeking regular biennial renewal of a license, which will include renewal of his certificate, shall show that he has completed the required hours of continuing professional education during the two calendar-year period preceding renewal, of which no less than thirty-two hours shall be accounting and/or auditing subjects. In a reporting period during which the licensee was not involved at any time in reporting on financial statements, no less than sixteen hours of the eighty-hour requirement shall be accounting and/or auditing subjects. Tax practitioners whose sole relationship to financial statements is the review of the federal income tax provision, related balance sheet accounts and notes are not considered to be involved in reporting on financial statements for purposes of this provision. Of the total requirement of eighty hours, no more than sixteen hours may be in continuing professional education course subjects deemed "nontechnical" by the board in WAC 4-25-186 (2) (b).

(b) CERTIFICATE ONLY. An applicant, who holds a certificate but whose activities do not require a license to practice public accounting, is required to show that he has completed not less than eighty hours of continuing professional education to renew his certificate under RCW 18.04.105(9) which contribute to his own professional competency, meet the criteria for courses set forth in WAC 4-25-186(1) and can be classified into one of the categories of WAC 4-25-186 (2) (a) or (b). The courses must include a minimum of eight hours of accounting and/or auditing subjects for each biennial reporting period.

(2) RENEWAL OF LAPSED CERTIFICATES OR LICENSES AND RECIPROCITY. An applicant who has previously held a license and certificate who has failed to renew timely, shall satisfy the requirements of subsection (1)(a) of this section. An applicant who held a license under the reciprocity provisions of RCW 18.04.180, shall, for the purposes of satisfying the continuing education requirements, make the same showing as prescribed in subsection (1)(a) of this section at the time of application. An applicant who holds a certificate and no license who has failed to renew timely, shall satisfy the requirements of subsection (1)(b) of this section.

(3) RENEWAL OF INITIAL CERTIFICATE OR LICENSE AND CERTIFICATE. An applicant seeking to renew an initial certificate or license and certificate issued less than two years but more than one year prior to the renewal must show that he has completed at least forty hours of such continuing professional education during the calendar year preceding the application. An applicant seeking to renew an initial certificate or license and certificate issued less than one year prior to the renewal will not be required to demonstrate completion of any

hours of continuing professional education for the first renewal, subject to the provisions of subsection (2) of this section as it pertains to certificates or licenses granted through reciprocity.

(4) TRANSITION RULE. Persons who held a certificate and no license and thereby became subject to continuing professional education requirements for the first time on July 1, 1986, pursuant to the requirements of RCW 18.04.105(9), shall make the following showing for purposes of satisfying the continuing professional education requirements:

(a) EVEN-NUMBERED BIRTH YEAR - RENEWAL. An individual who first becomes subject to continuing professional education requirements during the period July 1, 1986, through September 30, 1987, pursuant to RCW 18.04.105(9) and whose year of birth is even-numbered shall renew his certificate effective July 1 of each even-numbered year commencing with 1988. Such individual shall show completion of at least sixteen hours of continuing professional education (CPE) obtained during the two-year period ending December 31, 1987, as a condition of renewing his certificate in 1988. For renewal in 1990, such individuals must demonstrate completion of eighty hours of CPE during calendar years 1986 through 1989. For each subsequent renewal commencing with 1992, individuals must demonstrate eighty hours of CPE obtained in the two calendar-year period preceding the year of renewal.

(b) ODD-NUMBERED BIRTH YEAR - RENEWAL. An individual who first becomes subject to continuing professional education (CPE) requirements during the period July 1, 1986, through September 30, 1987, pursuant to RCW 18.04.105(9) and whose year of birth is odd-numbered shall renew his certificate effective July 1 of each odd-numbered year commencing with 1989. Such individual shall show completion of at least forty-eight hours of continuing professional education obtained during the three-year period ending December 31, 1988, as a condition of renewing his certificate in 1989. For renewal in 1991, such individuals must demonstrate completion of eighty hours of CPE during calendar years 1989 and 1990. For each subsequent renewal commencing with 1993, individuals must demonstrate eighty hours of CPE obtained in the two calendar-year period preceding the year of renewal.

(c) CERTIFICATES ISSUED AFTER SEPTEMBER 30, 1987 - RENEWAL. Certificates issued after September 30, 1987, shall be renewable on July 1 of each even-numbered year for individuals whose birth year is even-numbered and on July 1 of each odd-numbered year for individuals whose birth year is odd-numbered.

NEW SECTION

WAC 4-25-186 PROGRAM STANDARDS. (1) QUALIFYING PROGRAMS. A program qualifies as acceptable continuing professional education for purposes of RCW 18.04.215(4) 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 his profession, and meets the minimum standards of quality of development and presentation and of measurement and reporting of credits set forth in WAC 4-25-185, 4-25-186, 4-25-187, 4-25-188, and in the Statement on Standards for Formal Continuing Education 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. Undergraduate courses are presumed not to contribute to licensees' growth beyond the level of knowledge required for initial certification and are therefore not generally acceptable for continuing professional education.

(2) SUBJECT AREAS. Programs dealing with the following general subject areas (as defined in the AICPA continuing professional education division. "National Curriculum--A Pathway to Excellence" or its successive documents) are acceptable so long as they meet the standards in subsection (1) of this section:

(a) Technical subjects:

- (i) Accounting and auditing;
- (ii) Management advisory services;
- (iii) Personal financial planning;
- (iv) Taxation;
- (v) Management information services;
- (vi) Budgeting and cost analysis;
- (vii) Asset management;
- (viii) Professional ethics;
- (ix) Specialized areas of industry;
- (x) Human resource management;
- (xi) Economics;
- (xii) Business law;
- (xiii) Mathematics, statistics, and quantitative applications in

business;

- (xiv) Business management and organization.

(b) Nontechnical subjects:

- (i) Communication skills;
- (ii) Interpersonal management skills;
- (iii) Personal development skills;
- (iv) Public relations;
- (v) Practice development.

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) of this section and deal with subjects referred to in subsection (2) of this section:

- (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 noncredit;

- (d) Formal in-firm education programs;

- (e) Programs of other organizations (accounting, industrial, professional, etc.);

- (f) Dinner, luncheon, and breakfast meetings which are structured as formal educational programs;

- (g) 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 the course is completed.

(6) INSTRUCTOR, DISCUSSION LEADER, OR SPEAKER. Applicants who have served as instructors, discussion leaders and speakers at programs coming under subsections (1), (2), and (3) of this section 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 certificate holder. 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.

NEW SECTION

WAC 4-25-187 REPORTS. Applicants for renewal of certificates and/or licenses to practice pursuant to RCW 18.04.105(9) or 18.04.215(4) shall file with their applications therefore a signed statement of the continuing professional education programs for which they claim credit, showing:

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

For certificate only reporters, a general description of each course's contribution to the CFA's professional competence.

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) Course completion certificate provided by program sponsor;
- (2) Confirmation letter from sponsor stating program title, location, and dates and hours of attendance;
- (3) Copy of the course outline prepared by the course sponsor;
- (4) For courses taken for scholastic credit in accredited universities and colleges, evidence of satisfactory completion of the course will be sufficient; for noncredit courses taken, a statement of the hours of attendance, signed by the instructor, is required;
- (5) 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 license or certificate renewal. 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.

NEW SECTION

WAC 4-25-188 PROGRAM SPONSOR AGREEMENTS. Persons or organizations may not state that the board endorses or approves any continuing education program or course. All persons or organizations intending to sponsor programs or courses qualifying for continuing professional education shall enter into a program sponsor agreement for continuing education with the board, or at the board's option, with the National Association of State Boards of Accountancy and, accordingly, may state in promotional or program materials that the sponsor has agreed to

abide by board rules. The sponsor agreement must indicate the type of organization and the subject areas in which the sponsor plans to present courses. Further, the agreement shall specify that the sponsor will comply with the requirements of WAC 4-25-186 and will retain for a period of five years the required records of program date, location, names of instructors, a verified listing of certificate holders attending, and outlines of the program presentation. The agreement shall further specify that the program sponsor agrees that a representative of the board may, upon due notice and without cost to the board, attend any course to perform field observation and review of the sponsor's procedures and course quality.