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**SUBSTITUTE HOUSE BILL 2603**

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**State of Washington****54th Legislature****1996 Regular Session**

**By** House Committee on Higher Education (originally sponsored by Representatives Cairnes, Scott, Silver, Carlson, Jacobsen, Reams, D. Schmidt, Goldsmith, Honeyford, Horn and Basich)

Read first time 02/01/96.

1       AN ACT Relating to educational requirements for accountants; and  
2 amending RCW 18.04.055 and 18.04.105.

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

4       **Sec. 1.** RCW 18.04.055 and 1992 c 103 s 5 are each amended to read  
5 as follows:

6       The board may adopt and amend rules under chapter 34.05 RCW for the  
7 orderly conduct of its affairs. The board shall prescribe rules  
8 consistent with this chapter as necessary to implement this chapter.  
9 Included may be:

10       (1) Rules of procedure to govern the conduct of matters before the  
11 board;

12       (2) Rules of professional conduct for all certificate and license  
13 holders, in order to establish and maintain high standards of  
14 competence and ethics of certified public accountants including rules  
15 dealing with independence, integrity, objectivity, and freedom from  
16 conflicts of interest;

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

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

4       (5) Educational requirements to take the certified public  
5 accountant examination or for the issuance of the certificate or  
6 license of certified public accountant. The educational requirements  
adopted by the board may include, but need not be limited to required  
accounting and business course concentrations, accreditation standards  
for colleges and universities granting degrees to applicants,  
alternatives to those accreditation standards, methods for evaluating  
education obtained in other states and outside the United States, and  
a requirement that an applicant hold a baccalaureate degree from an  
institution accredited by an accrediting organization recognized by the  
board. The board may not require an applicant to have successfully  
15 completed more than one hundred twenty semester credit hours or their  
16 equivalent of college or university work;

17       (6) Rules designed to ensure that certified public accountants'  
18 "reports on financial statements" meet the definitional requirements  
19 for that term as specified in RCW 18.04.025;

20       (7) Requirements for continuing professional education to maintain  
21 or improve the professional competence of certificate and license  
22 holders as a condition to maintaining their certificate or license to  
23 practice under RCW 18.04.215;

24       (8) Rules governing sole proprietors, partnerships, and  
25 corporations practicing public accounting including, but not limited  
26 to, rules concerning their style, name, title, and affiliation with any  
27 other organization, and establishing reasonable practice standards to  
28 protect the public interest;

29       (9) The board may by rule implement a quality assurance review  
30 program as a means to monitor licensees' quality of practice and  
31 compliance with professional standards. The board may exempt from such  
32 program, licensees who undergo periodic quality reviews in programs of  
33 the American Institute of Certified Public Accountants, National  
34 Association of State Boards of Accountancy, or other programs  
35 recognized and approved by the board;

36       (10) The board may by rule require firms to obtain professional  
37 liability insurance if in the board's discretion such insurance  
38 provides additional and necessary protection for the public; and

1       (11) Any other rule which the board finds necessary or appropriate  
2 to implement this chapter.

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

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

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

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

20       The board ((may, in its discretion,)) shall waive the educational  
21 requirements for any person if it is satisfied through review of  
22 documentation of successful completion of ((an)) one or more  
23 equivalency examinations offered by bona fide educational testing  
24 organizations accepted by the board that the person's educational  
25 qualifications are an acceptable substitute for the requirements of (b)  
26 of this subsection; and

27       (c) Who has passed a written examination.

28       (2) The examination described in subsection (1)(c) of this section  
29 shall be in writing, shall be held twice a year, and shall test the  
30 applicant's knowledge of the subjects of accounting and auditing, and  
31 other related fields the board may specify by rule. The time for  
32 holding the examination is fixed by the board and may be changed from  
33 time to time. The board shall prescribe by rule the methods of  
34 applying for and taking the examination, including methods for grading  
35 papers and determining a passing grade required of an applicant for a  
36 certificate. The board shall to the extent possible see to it that the  
37 grading of the examination, and the passing grades, are uniform with  
38 those applicable to all other states. The board may make use of all or

1 a part of the uniform certified public accountant examination and  
2 advisory grading service of the American Institute of Certified Public  
3 Accountants and may contract with third parties to perform  
4 administrative services with respect to the examination as the board  
5 deems appropriate to assist it in performing its duties under this  
6 chapter.

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

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

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

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

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

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

26 (4) The board may waive or defer any of the requirements of  
27 subsection (3) of this section for candidates transferring conditional  
28 CPA exam credits from other states or for qualifying reciprocity  
29 certification applicants who met the conditioning requirements of the  
30 state or foreign jurisdiction issuing their original certificate.

31 (5) The board shall charge each applicant an examination fee for  
32 the initial examination under subsection (1) of this section, or for  
33 reexamination under subsection (3) of this section for each subject in  
34 which the applicant is reexamined. The applicable fee shall be paid by  
35 the person at the time he or she applies for examination,  
36 reexamination, or evaluation of educational qualifications. Fees for  
37 examination, reexamination, or evaluation of educational qualifications  
38 shall be determined by the board under chapter 18.04 RCW. There is  
39 established in the state treasury an account to be known as the

1 certified public accountants' account. All fees received from  
2 candidates to take any or all sections of the certified public  
3 accountant examination shall be used only for costs related to the  
4 examination.

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

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

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

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

22 (b) Establish continuing professional education requirements;

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

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

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