
SENATE BILL 5593

State of Washington

57th Legislature

2001 Regular Session

By Senators Gardner, Prentice and Winsley

Read first time 01/26/2001. Referred to Committee on Labor, Commerce & Financial Institutions.

1 AN ACT Relating to the public accountancy act; amending RCW
2 18.04.015, 18.04.025, 18.04.035, 18.04.045, 18.04.055, 18.04.065,
3 18.04.105, 18.04.180, 18.04.183, 18.04.185, 18.04.195, 18.04.205,
4 18.04.215, 18.04.295, 18.04.305, 18.04.320, 18.04.335, 18.04.345,
5 18.04.350, 18.04.370, 18.04.380, 18.04.390, 18.04.405, and 18.04.420;
6 adding a new section to chapter 18.04 RCW; and prescribing penalties.

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

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

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

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

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

16 (i) ~~Persons who hold themselves out ((to the public)) as~~
17 ~~((certified public accountants who offer to perform, or perform for~~
18 ~~clients, professional services, including but not limited to one or~~
19 ~~more kinds of services involving the use of accounting or auditing~~

1 ~~skills, including the issuance of "audit reports," "review reports," or~~
2 ~~"compilation reports" on financial statements, or one or more kinds of~~
3 ~~management advisory, or consulting services, the preparation of tax~~
4 ~~returns, or the furnishing of advice on tax matters, perform such~~
5 ~~services)) licensees or inactive certificate holders conduct themselves~~
6 ~~in a competent, ethical, and professional manner;~~

7 (ii) A public authority be established that is competent to
8 prescribe and assess the qualifications of certified public
9 accountants, including inactive certificate holders who are not
10 licensed for the practice of public accounting;

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

15 (iv) A public authority be established to provide for consumer
16 alerts and public protection information to be published regarding
17 persons or firms who violate the provisions of this act or board rule
18 and to provide general consumer protection information to the public;
19 and

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

22 (2) The purpose of this act is to make revisions to chapter 234,
23 Laws of 1983 and chapter 103, Laws of 1992 to: Fortify the public
24 protection provisions of this act; establish one set of qualifications
25 to be a licensee; provide an inactive status for individuals holding a
26 certificate, but not holding a license as of June 30, 2001; revise the
27 regulations of certified public accountants; make revisions in the
28 ownership of certified public accounting firms; assure to the greatest
29 extent possible that certified public accountants from Washington state
30 are substantially equivalent with certified public accountants in other
31 states and can therefore perform the duties of certified public
32 accountants in as many states and countries as possible; assure
33 certified public accountants from other states and countries have met
34 qualifications that are substantially equivalent to the certified
35 public accountant qualifications of this state; and clarify the
36 authority of the board of accountancy with respect to the activities of
37 persons holding licenses and inactive certificates under this chapter.
38 It is not the intent of this act to in any way restrict or limit the
39 activities of persons not holding licenses or inactive certificates

1 under this chapter except as otherwise specifically restricted or
2 limited by chapter 234, Laws of 1983 and chapter 103, Laws of 1992.

3 (3) A purpose of chapter 103, Laws of 1992, revising provisions of
4 chapter 234, Laws of 1983, is to clarify the authority of the board of
5 accountancy with respect to the activities of persons holding
6 certificates under this chapter. Furthermore, it is not the intent of
7 chapter 103, Laws of 1992 to in any way restrict or limit the
8 activities of persons not holding certificates under this chapter
9 except as otherwise specifically restricted or limited by chapter 234,
10 Laws of 1983.

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

13 Unless the context clearly requires otherwise, the definitions in
14 this section apply throughout this chapter.

15 (1) "Board" means the board of accountancy created by RCW
16 18.04.035.

17 (2) "Certified public accountant" or "CPA" means a person holding
18 a certified public accountant certificate.

19 (3) "Certified public accountant-inactive," "inactive certificate
20 holder," or "CPA-inactive" means the person held a valid certificate
21 before July 1, 2001, or a valid license after July 1, 2001, and meets
22 the requirements of inactive status, however, the person does not meet
23 the current requirements for licensure and may not practice public
24 accounting.

25 (4) "State" includes the states of the United States, the District
26 of Columbia, Puerto Rico, Guam, and the United States Virgin Islands.

27 (~~(4)~~) (5) "Reports on financial statements" means any reports or
28 opinions prepared by (~~certified public accountants~~) licensees, based
29 on services performed in accordance with generally accepted auditing
30 standards, standards for attestation engagements, or standards for
31 accounting and review services as to whether the presentation of
32 information used for guidance in financial transactions or for
33 accounting for or assessing the status or performance of commercial and
34 noncommercial enterprises, whether public, private, or governmental,
35 conforms with generally accepted accounting principles or other
36 comprehensive bases of accounting.

37 (~~(5)~~) (6) The "practice of public accounting" means performing or
38 offering to perform by a person or firm holding itself out to the

1 public as a licensee, for a client or potential client, one or more
2 kinds of services involving the use of accounting or auditing skills,
3 including the issuance of "audit reports," "review reports," or
4 "compilation reports" on financial statements, or one or more kinds of
5 management advisory, or consulting services, or the preparation of tax
6 returns, or the furnishing of advice on tax matters. The "practice of
7 public accounting" shall not include practices that are permitted under
8 the provisions of RCW 18.04.350(~~((6))~~) (7) by persons or firms not
9 required to be licensed under this chapter.

10 ~~((6))~~ (7) "Firm" means ~~((a sole proprietorship, a corporation, or
11 a partnership. "Firm" also means a limited liability company formed))
12 an entity under this chapter ((25.15 RCW)).~~

13 ~~((7))~~ (8) "CPE" means continuing professional education.

14 ~~((8))~~ (9) "Certificate" means a certificate as a certified public
15 accountant issued under the provisions of this chapter~~((, or a
16 corresponding certificate issued by another state or foreign
17 jurisdiction that is recognized in accordance with the reciprocity
18 provisions of RCW 18.04.180 and 18.04.183)).~~

19 ~~((9))~~ (10) "Inactive" means the certificate is in an inactive
20 status because a person who held a valid certificate before July 1,
21 2001, or a person who held a valid license after July 1, 2001, has not
22 met the current requirements of licensure and has been granted inactive
23 certificate holder status through an approval process established by
24 the board.

25 (11) "Licensee" means the holder of a ~~((valid))~~ license to practice
26 public accountancy or a permit for practice privileges issued under
27 this chapter.

28 ~~((10))~~ (12) "License" means a license to practice public
29 accountancy or a permit for practice privileges issued to an individual
30 under this chapter, or a license issued to a firm under this chapter.

31 ~~((11))~~ (13) "Manager" means a manager of a limited liability
32 company licensed as a firm under this chapter.

33 (14) "NASBA" means the national association of state boards of
34 accountancy.

35 (15) "Quality assurance review" means a process established by and
36 conducted at the direction of the board of study, appraisal, or review
37 of one or more aspects of the professional work of a ~~((person))
38 licensee or licensed firm in the practice of public accountancy, by a~~

1 person or persons who hold (~~(certificates)~~) licenses and who are not
2 affiliated with the person or firm being reviewed.

3 (~~((12) "Quality review"~~) (16) "Peer review" means a study,
4 appraisal, or review of one or more aspects of the (~~(professional)~~)
5 attest work of a (~~(person)~~) licensee or licensed firm in the practice
6 of public accountancy, by a person or persons who hold (~~(certificates)~~)
7 licenses and who are not affiliated with the person or firm being
8 reviewed, including a peer review, or any internal review or inspection
9 intended to comply with quality control policies and procedures, but
10 not including the "quality assurance review" under subsection (~~((11))~~)
11 (15) of this section.

12 (~~((13))~~) (17) "Review committee" means any person carrying out,
13 administering or overseeing a quality review authorized by the
14 reviewee.

15 (~~((14))~~) (18) "Rule" means any rule adopted by the board under
16 authority of this chapter.

17 (~~((15))~~) (19) "Holding out" means any representation to the public
18 by the use of restricted titles as set forth in RCW 18.04.345 by a
19 person or firm that the person or firm (~~(is a certified public~~
20 ~~accountant)~~) holds a license under this chapter and that the person or
21 firm offers to perform any professional services to the public as a
22 (~~(certified public accountant)~~) licensee. "Holding out" shall not
23 affect or limit (~~(a person not required to hold a certificate under~~
24 ~~this chapter or)~~) a person or firm not required to hold a license under
25 this chapter from engaging in practices identified in RCW
26 18.04.350(~~((6))~~).

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

29 (1) There is created a board of accountancy for the state of
30 Washington to be known as the Washington state board of accountancy.
31 Effective June 30, 2001, the board shall consist of (~~(seven)) nine~~
32 members appointed by the governor. Members of the board shall include
33 (~~(four)) six~~ persons who (~~(hold valid certified public accountant~~
34 ~~certificates and have been in public practice as certified public~~
35 ~~accountants)~~) have been licensed in this state continuously for the
36 previous ten years (~~(and two persons who have held a valid certified~~
37 ~~public accountant's certificate in this state for at least ten years)~~).
38 (~~(The seventh)) Three~~ members shall be (~~(the)) public members~~ (~~(and~~

1 ~~shall be a person who is~~) qualified to judge whether the
2 qualifications, activities, and professional practice of those
3 regulated under this chapter conform with standards to protect the
4 public interest, including one public member qualified to represent the
5 interests of clients of individuals and firms licensed under this
6 chapter.

7 (2) The members of the board (~~(of accountancy)~~) shall be appointed
8 by the governor to a term of three years. Vacancies occurring during
9 a term shall be filled by appointment for the unexpired term. Upon the
10 expiration of a member's term of office, the member shall continue to
11 serve until a successor has been appointed and has assumed office. The
12 governor shall remove from the board any member whose (~~(certificate~~
13 ~~or)~~) license to practice has been revoked or suspended and may, after
14 hearing, remove any member of the board for neglect of duty or other
15 just cause. No person who has served two successive complete terms is
16 eligible for reappointment. Appointment to fill an unexpired term is
17 not considered a complete term. In order to stagger their terms, of
18 the two new appointments made to the board upon June 11, 1992, the
19 first appointed member shall serve a term of two years initially.

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

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

24 (2) A majority of the board constitutes a quorum for the
25 transaction of business.

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

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

31 (5) The governor shall appoint an executive director of the board,
32 who shall serve at the pleasure of the governor. The executive
33 director may employ such personnel as is appropriate for carrying out
34 the purposes of this chapter. The executive director shall hold a
35 valid Washington (~~(CPA certificate)~~) license. The board may arrange
36 for such volunteer assistance as it requires to perform its duties.
37 Individuals or committees assisting the board constitute volunteers for
38 purposes of chapter 4.92 RCW.

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

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

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

18 (9) The board shall provide for consumer alerts and public
19 protection information to be published regarding persons or firms who
20 violate the provisions of this act or board rule and shall provide
21 general consumer protection information to the public.

22 (10) The board may enter into stipulated agreements and orders of
23 assurance with persons who have violated the provisions of RCW
24 18.04.345 or certify the facts to the prosecuting attorney of the
25 county in which such person resides for criminal prosecution.

26 (11) The board may order restitution as a condition of a stipulated
27 agreement and order of assurance.

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

30 The board may adopt and amend rules under chapter 34.05 RCW for the
31 orderly conduct of its affairs. The board shall prescribe rules
32 consistent with this chapter as necessary to implement this chapter.
33 Included may be:

34 (1) Rules of procedure to govern the conduct of matters before the
35 board;

36 (2) Rules of professional conduct for all ((certificate and license
37 holders)) licensees, persons holding inactive certificates, and
38 nonlicensee owners of licensed firms, in order to establish and

1 maintain high standards of competence and ethics (~~(of certified public~~
2 ~~accountants)~~) including rules dealing with independence, integrity,
3 objectivity, and freedom from conflicts of interest;

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

7 (4) Rules specifying the manner and circumstances of the use of the
8 titles "certified public accountant-inactive" and "CPA-inactive," by
9 holders of inactive certificates who do not also hold licenses under
10 this chapter;

11 (5) Rules specifying the educational requirements to take the
12 certified public accountant examination (~~(or for the issuance of the~~
13 ~~certificate or license of certified public accountant)~~);

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

17 (7) Requirements for (~~(continuing professional education)~~) CPE to
18 maintain or improve the professional competence of (~~(certificate and~~
19 ~~license holders)~~) licensees as a condition to maintaining their
20 (~~(certificate or)~~) license (~~(to practice)~~) under RCW 18.04.215;

21 (8) Rules governing (~~(sole proprietors, partnerships, and~~
22 ~~corporations practicing public accounting)~~) firms issuing or offering
23 to issue reports on financial statements including, but not limited to,
24 rules concerning their style, name, title, and affiliation with any
25 other organization, and establishing reasonable practice and ethical
26 standards to protect the public interest;

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

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

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

1 (12) Rules specifying the requirements for inactive certificate
2 holders to qualify for a license under this chapter which must include
3 provisions for meeting CPE and experience requirements prior to
4 application for licensure;

5 (13) Rules specifying the registration requirements, including
6 ethics examination and fee requirements, for nonlicensee partners,
7 shareholders, and managers of firms;

8 (14) Rules specifying the ethics CPE requirements for inactive
9 certificate holders and owners of firms, including the process for
10 reporting compliance with those requirements;

11 (15) Rules specifying the experience and CPE requirements for
12 licensees and licensed firms offering or issuing reports on financial
13 statements; and

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

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

18 The board shall set its fees at a level adequate to pay the costs
19 of administering this chapter. ~~((Beginning in the 1993-95 biennium,))~~
20 ~~All fees for ((certified—public—accountants')) licenses,~~
21 ~~((certificates,)) renewals of licenses, renewals of inactive~~
22 ~~certificates, reinstatements of lapsed licenses, reinstatements of~~
23 ~~lapsed inactive certificates, and delinquent filings received under the~~
24 authority of this chapter shall be deposited in the certified public
25 accountants' account created by RCW 18.04.105. Appropriation from such
26 account shall be made only for the cost of administering the provisions
27 of this chapter.

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

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

33 (a) Who is of good character. Good character, for purposes of this
34 section, means lack of a history of dishonest or felonious acts. The
35 board may refuse to grant a ~~((certificate))~~ license on the ground of
36 failure to satisfy this requirement only if there is a substantial
37 connection between the lack of good character of the applicant and the

1 professional and ethical responsibilities of a (~~certified public~~
2 ~~accountant~~) licensee and if the finding by the board of lack of good
3 character is supported by a preponderance of evidence. When an
4 applicant is found to be unqualified for a (~~certificate~~) license
5 because of a lack of good character, the board shall furnish the
6 applicant a statement containing the findings of the board and a notice
7 of the applicant's right of appeal;

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

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

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

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

17 (i) Within eight years prior to applying for a license, except
18 persons holding a valid certificate on the effective date of this act
19 and applying for a license within eighteen months of the effective date
20 of this act may use experience gained prior to application without
21 regard to the eight-year limitation;

22 (ii) Through the use of accounting, issuing reports on financial
23 statements, management advisory, financial advisory, tax, tax advisory,
24 or consulting skills;

25 (iii) While employed in government, industry, academia, or public
26 practice; and

27 (iv) Meeting the competency requirements determined by the board to
28 be appropriate and established by board rule; and

29 (e) Who has paid appropriate fees as established by rule by the
30 board.

31 (2) The examination described in subsection (1)(c) of this section
32 (~~shall be in writing, shall be held twice a year, and~~) shall test the
33 applicant's knowledge of the subjects of accounting and auditing, and
34 other related fields the board may specify by rule. The time for
35 holding the examination is fixed by the board and may be changed from
36 time to time. The board shall prescribe by rule the methods of
37 applying for and taking the examination, including methods for grading
38 (~~papers~~) examinations and determining a passing grade required of an
39 applicant for a (~~certificate~~) license. The board shall to the extent

1 possible see to it that the grading of the examination, and the passing
2 grades, are uniform with those applicable to all other states. The
3 board may make use of all or a part of the uniform certified public
4 accountant examination and advisory grading service of the American
5 Institute of Certified Public Accountants and may contract with third
6 parties to perform administrative services with respect to the
7 examination as the board deems appropriate to assist it in performing
8 its duties under this chapter. The board shall establish by rule
9 provisions for transitioning to a new examination structure or to a new
10 media for administering the examination.

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

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

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

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

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

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

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

35 ~~(5))~~ The board shall charge each applicant an examination fee for
36 the initial examination ~~((under subsection (1) of this section,))~~ or
37 for reexamination ~~((under subsection (3) of this section for each~~
38 ~~subject in which the applicant is reexamined))~~. The applicable fee
39 shall be paid by the person at the time he or she applies for

1 examination, reexamination, or evaluation of educational
2 qualifications. Fees for examination, reexamination, or evaluation of
3 educational qualifications shall be determined by the board under
4 chapter 18.04 RCW. There is established in the state treasury an
5 account to be known as the certified public accountants' account. All
6 fees received from candidates to take any or all sections of the
7 certified public accountant examination shall be used only for costs
8 related to the examination.

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

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

19 ~~(8) The board shall adopt rules providing for continuing~~
20 ~~professional education for certified public accountants. The rules~~
21 ~~shall:~~

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

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

27 ~~(c) Establish when newly certificated public accountants shall~~
28 ~~verify that they have completed the required continuing professional~~
29 ~~education;~~

30 ~~(d) Provide that failure to furnish verification of the completion~~
31 ~~of the continuing professional education requirement shall make the~~
32 ~~certificate invalid and subject to reinstatement, unless the board~~
33 ~~determines that the failure was due to retirement, reasonable cause, or~~
34 ~~excusable neglect; and~~

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

37 ~~(9) The board may adopt by rule new CPE standards that differ from~~
38 ~~those in subsection (8) of this section or RCW 18.04.215 if: (a) The~~
39 ~~new standards are consistent with the continuing professional education~~

1 ~~standards of other states so as to provide to the greatest extent~~
2 ~~possible, consistent national standards; and (b) the new standards are~~
3 ~~at least as strict as the standards set forth in subsection (8) of this~~
4 ~~section or RCW 18.04.215.)~~)

5 (4) Persons who on June 30, 2001, held valid certificates
6 previously issued under this chapter shall be deemed to hold inactive
7 certificates, subject to renewal as inactive certificates, until they
8 document to the board that they have met the experience requirements
9 established in subsection (1) of this section, the CPE requirements
10 established by board rule, and pay the license fee established by rule
11 by the board. An individual who did not hold a valid certificate
12 before July 1, 2001, shall not be eligible to obtain an inactive
13 certificate, unless they are first licensed under this chapter.

14 (5) Persons deemed to hold inactive certificates under subsection
15 (4) of this section shall comply with the prohibition against the
16 practice of public accounting in subsection (6)(b) of this section and
17 RCW 18.04.345 but shall not be required to display the term inactive as
18 part of their title, as required by subsection (6)(b) of this section
19 until renewal. Certificates renewed or issued to any person after June
20 30, 2001, shall be inactive certificates and the inactive certificate
21 holders are subject to the requirements of subsection (6)(b) of this
22 section.

23 (6) Persons holding an inactive certificate:

24 (a) Must use or attach the term inactive whenever using the title
25 CPA or certified public accountant or referring to the certificate, and
26 print the word inactive immediately following the title, whenever the
27 title is printed on a business card, letterhead, or any other document,
28 including documents published or transmitted through electronic media,
29 in the same font and font size as the title; and

30 (b) Are prohibited from practicing public accounting.

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

33 (1) The board shall issue a ((certificate to a holder of a
34 certificate issued by another state, or shall issue a certificate and))
35 license to a holder of a ((certificate/))valid license or certificate
36 issued by another state that entitles the holder to practice public
37 accountancy, provided that:

1 ~~((1))~~ (a) Such state makes similar provision to grant reciprocity
2 to a holder of a ~~((certificate or))~~ valid certificate ~~((and valid))~~ or
3 license in this state; ~~((and~~
4 ~~(2))~~ (b) The applicant meets the ~~((continuing professional~~
5 ~~education))~~ CPE requirements of RCW ~~((18.04.105(8))~~) 18.04.215(5);
6 ~~((and~~
7 ~~(3) If the application is for a certificate only:~~
8 ~~(a) The applicant passed the examination required for issuance of~~
9 ~~his or her certificate with grades that would have been passing grades~~
10 ~~at that time in this state; and~~
11 ~~(b) The applicant: Meets all current requirements in this state~~
12 ~~for issuance of a certificate at the time application is made; or at~~
13 ~~the time of the issuance of the applicant's certificate in the other~~
14 ~~state, met all the requirements then applicable in this state; or~~
15 ~~(4) If the application is for a certificate and license:~~
16 ~~(a))~~ (c) The applicant meets the good character requirements of
17 RCW 18.04.105(1)(a); and
18 (d) The applicant passed the examination required for issuance of
19 his or her certificate or license with grades that would have been
20 passing grades at that time in this state~~((;))~~ and
21 ~~((b) The applicant:)~~ meets all current requirements in this state
22 for issuance of a license at the time application is made; or at the
23 time of the issuance of the applicant's license in the other state, met
24 all the requirements then applicable in this state; or has had five
25 years of experience within the ten years immediately preceding
26 application in the practice of public accountancy that meets the
27 requirements prescribed by the board.
28 (2) The board may accept NASBA's designation of the individual
29 applicant's state as substantially equivalent to national standards, or
30 the NASBA's designation of the applicant as substantially equivalent to
31 national standards as meeting the requirement of subsection (1)(d) of
32 this section.
33 (3) A licensee who has been granted a license under the reciprocity
34 provisions of this section shall notify the board if the license or
35 certificate issued in the other jurisdiction has lapsed or if the
36 status of the license or certificate issued in the other jurisdiction
37 becomes otherwise invalid.

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

3 The board shall grant a (~~certificate or~~) license as a certified
4 public accountant to a holder of a permit, license, or certificate
5 issued by a foreign country's board, agency, or institute, provided
6 that:

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

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

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

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

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

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

24 (4) The applicant has within the thirty-six months prior to
25 application completed an accumulation of one hundred twenty hours of
26 (~~continuing professional education~~) CPE as required under RCW
27 (~~18.04.105(8)~~) 18.04.215(5). The board shall provide for transition
28 from existing to new (~~continuing professional education~~) CPE
29 requirements; (~~and~~)

30 (5) (~~If the application is for a certificate:~~

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

36 ~~(b))~~) (6) The applicant has passed a written examination or its
37 equivalent, approved by the board, that tests knowledge in the areas of
38 United States accounting principles, auditing standards, commercial

1 law, income tax law, and Washington state rules of professional ethics;
2 ((or

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

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

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

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

19 A licensee who has been granted a license under the reciprocity
20 provisions of this section shall notify the board if the permit,
21 license, or certificate issued in the other jurisdiction has lapsed or
22 if the status of the permit, license, or certificate issued in the
23 other jurisdiction becomes otherwise invalid.

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

26 ~~((1) Application for certification as certified public accountants~~
27 ~~by persons who are not residents of this state constitutes appointment~~
28 ~~of the secretary of state as an agent for service of process in any~~
29 ~~action or proceeding against the applicants arising from any~~
30 ~~transaction, activity, or operation connected with or incidental to the~~
31 ~~practice of public accounting in this state by nonresident holders of~~
32 ~~certified public accountant certificates.~~

33 ~~(2))~~ Application for a license to practice public accounting in
34 this state by a certified public accountant or CPA firm who holds a
35 license or permit to practice issued by another state constitutes the
36 appointment of the secretary of state as an agent for service of
37 process in any action or proceeding against the applicant arising from
38 any transaction or operation connected with or incidental to the

1 practice of public accounting in this state by the holder of the
2 license to practice.

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

5 (1) A sole proprietorship engaged in this state ~~((in the practice~~
6 ~~of public accounting))~~ and offering to issue or issuing reports on
7 financial statements or using the title CPA or certified public
8 accountant shall license, as a firm, every three years with the board
9 ~~((as a firm)).~~

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

13 ~~(b))~~ The ~~((person))~~ sole proprietor shall ~~((be a certified public~~
14 ~~accountant holding))~~ hold a license to practice under RCW
15 18.04.215~~((-))~~;

16 ~~((e))~~ (b) Each resident licensee in charge of an office ~~((of the~~
17 ~~sole proprietorship engaged in this state in the practice of public~~
18 ~~accounting))~~ located in this state shall ~~((be a certified public~~
19 ~~accountant holding))~~ hold a license to practice under RCW 18.04.215;
20 and

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

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

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

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

35 ~~((e))~~ (b) Each resident licensee in charge of an office ~~((of the~~
36 ~~partnership))~~ in this state and each resident partner ~~((personally~~
37 ~~engaged within this state in the practice of public accounting))~~ shall

1 ~~((be a certified public accountant holding))~~ hold a license to practice
2 under RCW 18.04.215;

3 (c) A simple majority of the ownership of the firm in terms of
4 financial interests and voting rights of all partners or owners shall
5 be held by natural persons who are licensees or holders of a valid
6 license or certificate issued by another state that entitles the holder
7 to practice public accountancy; and

8 (d) The firm must meet competency requirements established by rule
9 by the board.

10 (3) A corporation ~~((organized for the practice of public accounting~~
11 ~~and))~~ engaged in this state ~~((in the practice of public accounting))~~
12 and offering to issue or issuing reports on financial statements or
13 using the title CPA or certified public accountant shall license as a
14 firm every three years with the board ((as a corporation of certified
15 public accountants)) and shall meet the following requirements:

16 (a) ~~((The principal purpose and business of the corporation shall~~
17 ~~be to furnish services to the public which are consistent with this~~
18 ~~chapter and the rules of the board; and~~

19 (b) Each shareholder of the corporation shall be a certified public
20 accountant of some state holding a license to practice and shall be))
21 A simple majority of the ownership of the firm in terms of financial
22 interests and voting rights of all shareholders or owners shall be held
23 by natural persons who are licensees or holders of a valid license or
24 certificate issued by another state that entitles the holder to
25 practice public accountancy and is principally employed by the
26 corporation or actively engaged in its business. ((No other person may
27 have any interest in the stock of the corporation.)) The principal
28 officer of the corporation and any officer or director having authority
29 over ~~((the practice of public accounting by the corporation))~~ issuing
30 reports on financial statements shall ((be a certified public
31 accountant of some state holding)) hold a license ~~((to practice));~~

32 ~~((e))~~ (b) At least one shareholder of the corporation shall ~~((be~~
33 ~~a certified public accountant holding))~~ hold a license ~~((to practice))~~
34 under RCW 18.04.215;

35 ~~((d))~~ (c) Each resident licensee in charge of an office ~~((of the~~
36 ~~corporation))~~ located in this state and each resident shareholder or
37 director ~~((personally engaged within this state in the practice of~~
38 ~~public accounting))~~ shall ~~((be a certified public accountant holding))~~
39 hold a license ~~((to practice))~~ under RCW 18.04.215;

1 ~~((e))~~ (d) A written agreement shall bind the corporation or its
2 shareholders to purchase any shares offered for sale by, or not under
3 the ownership or effective control of, a qualified shareholder, and
4 bind any holder not a qualified shareholder to sell the shares to the
5 corporation or its qualified shareholders. The agreement shall be
6 noted on each certificate of corporate stock. The corporation may
7 purchase any amount of its stock for this purpose, notwithstanding any
8 impairment of capital, as long as one share remains outstanding; ~~(and~~
9 ~~(f))~~ (e) The corporation shall comply with any other rules
10 pertaining to corporations practicing public accounting in this state
11 as the board may prescribe; and

12 (f) The firm must meet competency requirements established by rule
13 by the board.

14 (4) A limited liability company engaged in this state ~~((in the~~
15 ~~practice of public accounting))~~ and offering to issue or issuing
16 reports on financial statements or using the title CPA or certified
17 public accountant shall license as a firm every three years with the
18 board ~~((as a limited liability company of certified public~~
19 ~~accountants)),~~ and shall meet the following requirements:

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

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

26 ~~((e))~~ (b) Each resident manager or member in charge of an office
27 ~~((of the limited liability company))~~ located in this state and each
28 resident manager or member ~~((personally engaged within this state in~~
29 ~~the practice of public accounting))~~ shall ~~((be a certified public~~
30 ~~accountant holding))~~ hold a license ~~((to practice))~~ under RCW
31 18.04.215;

32 (c) A simple majority of the ownership of the firm in terms of
33 financial interests and voting rights of all owners shall be held by
34 natural persons who are licensees or holders of a valid license or
35 certificate issued by another state that entitles the holder to
36 practice public accountancy; and

37 (d) The firm must meet competency requirements established by rule
38 by the board.

1 (5) Application for a license as a firm shall be made upon the
2 affidavit of the proprietor or person designated as managing partner or
3 shareholder for Washington. This person shall ~~((be a certified public
4 accountant—holding))~~ hold a license ~~((to—practice))~~ under RCW
5 18.04.215. The board shall determine in each case whether the
6 applicant is eligible for a license. A partnership or corporation
7 which is licensed to practice under RCW 18.04.215 may use the
8 designation "certified public accountants" or "CPAs" in connection with
9 its partnership or corporate name. The board shall be given
10 notification within ninety days after the admission or withdrawal of a
11 partner or shareholder engaged in this state in the practice of public
12 accounting from any partnership or corporation so licensed.

13 (6) Fees for the license as a firm and for notification of the
14 board of the admission or withdrawal of a partner or shareholder shall
15 be determined by the board. Fees shall be paid by the firm at the time
16 the license application form or notice of admission or withdrawal of a
17 partner or shareholder is filed with the board.

18 (7) Nonlicensee owners of firms are:

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

21 (b) Required to be a natural person and an active individual
22 participant in the firm as defined by board rule; and

23 (c) Subject to discipline by the board for violation of this
24 chapter.

25 (8) Resident nonlicensee owners of firms are required to meet:

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

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

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

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

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

4 (3) The board shall by rule prescribe the procedure to be followed
5 to register and maintain offices established in this state for the
6 (~~practice of public accounting~~) purpose of offering to perform or
7 issuing reports on financial statements.

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

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

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

14 (a) To holders of inactive certificates (~~as certified public~~
15 ~~accountants~~) who have demonstrated they meet the experience
16 requirements of RCW 18.04.105, (~~in accordance with rules issued by the~~
17 ~~board, one year of public accounting experience, or such other~~
18 ~~experience or employment which the board in its discretion regards as~~
19 ~~substantially equivalent~~) and who, if their certificate was issued
20 more than forty-eight months prior to application (~~under this~~
21 ~~section~~) for a license, submit to the board satisfactory proof of
22 having completed an accumulation of one hundred twenty hours of
23 (~~continuing professional education~~) CPE during the thirty-six months
24 preceding the application;

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

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

36 (3) An inactive certificate is renewed every three years with
37 renewal subject to the requirements of ethics CPE and the payment of
38 fees, prescribed by the board. Failure to renew the inactive

1 certificate shall cause the inactive certificate to lapse and be
2 subject to reinstatement. Persons holding a lapsed inactive
3 certificate are prohibited from using the title "CPA," "certified
4 public accountant," "CPA-inactive," or "certified public accountant-
5 inactive" and prohibited from practicing public accountancy. The board
6 shall adopt rules providing for fees and procedures for issuance,
7 renewal, and reinstatement of inactive certificates.

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

16 (5) The board shall adopt rules providing for CPE for licensees.
17 The rules shall:

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

21 (b) Establish CPE requirements; and

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

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

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

1 The board in its discretion may renew a ~~((certificate or))~~ license
2 despite failure to furnish evidence of compliance with requirements of
3 ~~((continuing professional education))~~ CPE upon condition that the
4 applicant follow a particular program of ~~((continuing professional
5 education))~~ CPE. In issuing rules and individual orders with respect
6 to ~~((continuing professional education))~~ CPE requirements, the board,
7 among other considerations, may rely upon guidelines and pronouncements
8 of recognized educational and professional associations, may prescribe
9 course content, duration, and organization, and may take into account
10 the accessibility of ~~((continuing education))~~ CPE to ~~((applicants))~~
11 licensees and instances of individual hardship.

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

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

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

32 (1) Fraud or deceit in obtaining a ~~((certificate as a certified~~
33 public accountant, or in obtaining a)) license, or in any filings with
34 the board;

35 (2) Dishonesty, fraud, or negligence while representing oneself as
36 a ~~((CPA))~~ nonlicensee owner holding an ownership interest in a firm, a
37 licensee, or as an inactive certificate holder;

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

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

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

4 (a) The laws of this state;

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

7 (c) Federal law;

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

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

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

17 (8) Failure to maintain compliance with the requirements for
18 issuance, renewal, or reinstatement of the inactive certificate or
19 license, or to report changes to the board;

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

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

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

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

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

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

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

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

1 (1) The revocation or suspension of the (~~certificate as a~~
2 ~~certified public accountant~~) sole-practitioner's license or the
3 revocation or suspension or refusal to renew the (~~certificate or~~)
4 license of any partner, manager, or shareholder; (~~or~~)

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

11 (3) Failure by a nonlicensee owner of a firm to comply with the
12 requirements of this chapter or board rule.

13 **Sec. 16.** RCW 18.04.320 and 1986 c 295 s 13 are each amended to
14 read as follows:

15 In the case of the refusal, revocation, or suspension of ((a)) an
16 inactive certificate or a license by the board under the provisions of
17 this chapter, such proceedings and any appeal therefrom shall be taken
18 in accordance with the administrative procedure act, chapter 34.05 RCW.

19 **Sec. 17.** RCW 18.04.335 and 1997 c 58 s 812 are each amended to
20 read as follows:

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

23 (a) Modify the suspension of, or reissue ((a)) an inactive
24 certificate or a license to, an individual whose inactive certificate
25 or license has been revoked or suspended; or

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

29 (2) In the case of suspension for failure to comply with a support
30 order under chapter 74.20A RCW (~~or a residential or visitation order~~
31 ~~under chapter 26.09 RCW~~), if the person has continued to meet all
32 other requirements for reinstatement during the suspension, reissuance
33 of ((a)) an inactive certificate or a license shall be automatic upon
34 the board's receipt of a release issued by the department of social and
35 health services stating that the individual is in compliance with the
36 order.

1 **Sec. 18.** RCW 18.04.345 and 1999 c 378 s 8 are each amended to read
2 as follows:

3 (1) No person may assume or use the designation "certified public
4 accountant-inactive" or "CPA-inactive" or any other title, designation,
5 words, letters, abbreviation, sign, card, or device tending to indicate
6 that the person is a certified public accountant-inactive or CPA-
7 inactive unless the person holds (~~a valid~~) an inactive certificate
8 (~~as a certified public accountant~~). Persons holding an inactive
9 certificate must place the word inactive immediately following the
10 designation "certified public accountant" or "CPA." Persons holding an
11 inactive certificate may not practice public accounting.

12 (2) No person may hold himself or herself out to the public (~~and~~)
13 or assume or use the designation "certified public accountant" or "CPA"
14 or any other title, designation, words, letters, abbreviation, sign,
15 card, or device tending to indicate that the person is a certified
16 public accountant or CPA unless the person holds a (~~valid certificate~~
17 ~~as a certified public accountant and holds a valid~~) license (~~to~~
18 ~~practice~~) under RCW 18.04.215.

19 (3) No firm may hold itself out to the public as offering to issue
20 or issuing reports on financial statements, or assume or use the
21 designation "certified public accountant" or "CPA" or any other title,
22 designation, words, letters, abbreviation, sign, card, or device
23 tending to indicate that the firm is composed of certified public
24 accountants or CPAs, unless the firm is licensed under RCW 18.04.195(~~or~~
25 ~~holds a valid license to practice under RCW 18.04.215,~~) and all
26 offices of the firm in this state (~~for the practice of public~~
27 ~~accounting~~) are maintained and registered under RCW 18.04.205.

28 (4) No person, partnership, or corporation offering accounting
29 services to the public may hold himself, herself, or itself out to the
30 public, or assume or use along, or in connection with his, hers, or its
31 name, or any other name the title or designation "certified
32 accountant," "chartered accountant," "licensed accountant," "licensed
33 public accountant," "public accountant," or any other title or
34 designation likely to be confused with "certified public accountant" or
35 any of the abbreviations "CA," "LA," "LPA," or "PA," or similar
36 abbreviations likely to be confused with "CPA." (~~However, nothing in~~
37 ~~this chapter prohibits use of the title "accountant" by any person~~
38 ~~regardless of whether the person has been granted a certificate or~~
39 ~~holds a license under this chapter.~~)

1 (5) No firm may operate under an alias, a firm name, title, or
2 "DBA" that differs from the firm name that is registered with the
3 board.

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

11 (~~(6)~~) (7) No person may sign, affix, or associate a firm name to
12 any report designated as an "audit," "review," or "compilation," unless
13 the firm is licensed under RCW 18.04.195 and 18.04.215, and all of its
14 offices in this state (~~for the practice of public accounting~~) are
15 maintained and registered under RCW 18.04.205.

16 (~~(7)~~) (8) No person, partnership, or corporation not holding a
17 license to practice under RCW 18.04.215 may hold himself, herself, or
18 itself out to the public as an "auditor" with or without any other
19 description or designation by use of such word on any sign, card,
20 letterhead, or in any advertisement or directory.

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

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

30 **Sec. 19.** RCW 18.04.350 and 1992 c 103 s 15 are each amended to
31 read as follows:

32 (1) Nothing in this chapter prohibits any person not (~~a certified~~
33 ~~public accountant~~) holding a license from serving as an employee of a
34 firm licensed, (~~or as assistant to, a certified public accountant or~~
35 ~~partnership composed of certified public accountants or corporation of~~
36 ~~certified public accountants holding a valid license~~) under RCW
37 18.04.215. However, the employee or assistant shall not issue any
38 accounting or financial statement over his or her name.

1 (2) Nothing in this chapter prohibits a nonresident certified
2 public accountant holding a valid certificate or license to practice
3 public accountancy registered in another state, or any accountant of a
4 foreign country holding a valid certificate, degree, or license which
5 permits him or her to practice therein from temporarily practicing in
6 this state on professional business incident to his or her regular
7 practice provided he or she does not advertise to provide services in
8 this state and he or she does not maintain an office location in this
9 state.

10 (3) Nothing in this chapter prohibits a nonresident certified
11 public accountant, with education, examination, and experience deemed
12 by the board to be substantially equivalent to this state's
13 requirements and holding a valid certificate or license to practice in
14 another state from obtaining a three-year permit for practice
15 privileges from the board. The permit for practice privileges allows
16 a nonresident certified public accountant who does not have a principal
17 place of business in this state to provide services on a regular basis,
18 advertise to provide services, and maintain an office in this state.
19 The board shall establish by rule the requirements for obtaining a
20 three-year permit for practice privileges, which must include a fee
21 comparable to the fee for a license to practice public accountancy.
22 The certified public accountant issued a permit for practice privileges
23 shall abide by this chapter and the rules under this chapter. Out-of-
24 state certified public accountants holding a valid permit for practice
25 privileges are subject to discipline for violation of this chapter.
26 However, they are exempt from the CPE requirements of this chapter
27 provided they have met the CPE requirements of the state in which they
28 hold a valid certificate or license. The board may accept NASBA's
29 designation of the individual applicant's state as substantially
30 equivalent to national standards, or the NASBA's designation of the
31 applicant as substantially equivalent to national standards as meeting
32 the requirement for a certified public accountant to be substantially
33 equivalent to this state's requirements.

34 (4) Nothing in this chapter prohibits (~~a certified public~~
35 ~~accountant, a partnership, or corporation of certified public~~
36 ~~accountants~~) an inactive certificate holder, a licensee, a licensed
37 firm, or any of their employees from disclosing any data in confidence
38 to other certified public accountants, quality assurance or peer review
39 teams, partnerships, or corporations of public accountants or to the

1 board or any of its employees engaged in conducting (~~quality,~~)
2 quality assurance(~~)~~) or peer reviews, or any one of their employees
3 in connection with quality or peer reviews of that accountant's
4 accounting and auditing practice conducted under the auspices of
5 recognized professional associations.

6 (~~(4)~~) (5) Nothing in this chapter prohibits (~~a certified public~~
7 ~~accountant, a partnership, or corporation of certified public~~
8 ~~accountants~~) an inactive certificate holder, a licensee, a licensed
9 firm, or any of their employees from disclosing any data in confidence
10 to any employee, representative, officer, or committee member of a
11 recognized professional association, or to the board (~~of~~
12 ~~accountancy~~), or any of its employees or committees in connection with
13 a professional investigation held under the auspices of recognized
14 professional associations or the board (~~of accountancy~~).

15 (~~(5)~~) (6) Nothing in this chapter prohibits any officer,
16 employee, partner, or principal of any organization:

17 (a) From affixing his or her signature to any statement or report
18 in reference to the affairs of the organization with any wording
19 designating the position, title, or office which he or she holds in the
20 organization; or

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

23 (~~(6)~~) (7) Nothing in this chapter prohibits any person, or
24 partnership or corporation composed of persons not holding a license
25 under RCW 18.04.215 from offering or rendering to the public
26 bookkeeping, accounting, tax services, the devising and installing of
27 financial information systems, management advisory, or consulting
28 services, the preparation of tax returns, or the furnishing of advice
29 on tax matters, the preparation of financial statements, written
30 statements describing how such financial statements were prepared, or
31 similar services, provided that persons, partnerships, or corporations
32 not holding a license under RCW 18.04.215 who offer or render these
33 services do not designate any written statement as an "audit report,"
34 "review report," or "compilation report," do not issue any written
35 statement which purports to express or disclaim an opinion on financial
36 statements which have been audited, and do not issue any written
37 statement which expresses assurance on financial statements which have
38 been reviewed.

1 (~~(7)~~) (8) Nothing in this chapter prohibits any act of or the use
2 of any words by a public official or a public employee in the
3 performance of his or her duties.

4 (~~(8)~~) (9) Nothing contained in this chapter prohibits any person
5 who holds only a valid (~~(certified public accountant certificate)~~)
6 inactive certificate from assuming or using the designation "certified
7 public accountant-inactive" or "CPA-inactive" or any other title,
8 designation, words, letters, sign, card, or device tending to indicate
9 the person is (~~(a certified public accountant)~~) an inactive certificate
10 holder, provided, that such person shall not hold himself or herself
11 out to the public as engaged in the practice of public accounting
12 (~~(unless that person holds a valid license in addition to the~~
13 ~~certificate under RCW 18.04.215)~~), or engage in the practice of public
14 accounting.

15 (10) Nothing in this chapter prohibits the use of the title
16 "accountant" by any person regardless of whether the person has been
17 granted an inactive certificate or holds a license under this chapter.
18 Nothing in this chapter prohibits the use of the title "enrolled agent"
19 or the designation "EA" by any person regardless of whether the person
20 has been granted a certificate or holds a license under this chapter if
21 the person is properly authorized at the time of use to use the title
22 or designation by the United States department of the treasury. The
23 board may by rule allow the use of other titles by any person
24 regardless of whether the person has been granted a certificate or
25 holds a license under this chapter if the person using the titles or
26 designations is authorized at the time of use by the accreditation
27 council for accountancy and taxation, inc. to use the title or
28 designation.

29 **Sec. 20.** RCW 18.04.370 and 1983 c 234 s 19 are each amended to
30 read as follows:

31 Any person who violates any provision of this chapter, shall be
32 guilty of a crime, as follows:

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

37 (2) Notwithstanding subsection (1) of this section, any person who
38 uses a professional title intended to deceive the public, in violation

1 of RCW 18.04.345, having previously entered into a stipulated agreement
2 and order of assurance with the board, is guilty of a felony, and upon
3 conviction thereof, is subject to a fine of not more than ten thousand
4 dollars, or to imprisonment for not more than two years, or to both
5 such fine and imprisonment.

6 (3) With the exception of first time violations of RCW 18.04.345,
7 subject to subsection (4) of this section whenever the board has reason
8 to believe that any person is violating the provisions of this chapter
9 it shall certify the facts to the prosecuting attorney of the county in
10 which such person resides or may be apprehended and the prosecuting
11 attorney shall cause appropriate proceedings to be brought against such
12 person.

13 (4) The board may elect to enter into a stipulated agreement and
14 orders of assurance with persons in violation of RCW 18.04.345 who have
15 not previously been found to have violated the provisions of this
16 chapter.

17 (5) Nothing herein contained shall be held to in any way affect the
18 power of the courts to grant injunctive or other relief as above
19 provided.

20 **Sec. 21.** RCW 18.04.380 and 1986 c 295 s 17 are each amended to
21 read as follows:

22 The display or presentation by a person of a card, sign,
23 advertisement, or other printed, engraved or written instrument or
24 device, bearing a person's name in conjunction with the words
25 "certified public accountant," "certified public accountant-inactive"
26 or any abbreviation thereof, or "licensed public accountant" or any
27 abbreviation thereof, or "public accountant" or any abbreviation
28 thereof, shall be prima facie evidence in any action brought under this
29 chapter that the person whose name is so displayed, caused or procured
30 the display or presentation of the card, sign, advertisement, or other
31 printed, engraved, or written instrument or device, and that the person
32 is holding himself or herself out to be a licensee, a certified public
33 accountant ((~~or~~)), a public accountant holding a license to practice,
34 or a person holding an inactive certificate under this chapter. In any
35 such action, evidence of the commission of a single act prohibited by
36 this chapter is sufficient to justify an injunction or a conviction
37 without evidence of a general course of conduct.

1 **Sec. 22.** RCW 18.04.390 and 1992 c 103 s 16 are each amended to
2 read as follows:

3 (1) In the absence of an express agreement between the (~~certified~~
4 ~~public accountant~~) licensee or firm and the client to the contrary,
5 all statements, records, schedules, working papers, and memoranda made
6 by a (~~certified public accountant~~) licensee or firm incident to or in
7 the course of professional service to clients, except reports submitted
8 by a (~~certified public accountant to a client~~) licensee or firm, are
9 the property of the (~~certified public accountant~~) licensee or firm.

10 (2) No statement, record, schedule, working paper, or memorandum
11 may be sold, transferred, or bequeathed without the consent of the
12 client or his or her personal representative or assignee, to anyone
13 other than one or more surviving partners, shareholders, or new
14 partners or new shareholders of the (~~accountant~~) licensee,
15 partnership, or corporation, or any combined or merged partnership or
16 corporation, or successor in interest.

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

19 (a) A copy of the licensee's working papers or electronic
20 documents, to the extent that such working papers or electronic
21 documents include records that would ordinarily constitute part of the
22 client's records and are not otherwise available to the client; and

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

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

31 **Sec. 23.** RCW 18.04.405 and 1992 c 103 s 17 are each amended to
32 read as follows:

33 (1) A (~~certified public accountant, a partnership or corporation~~
34 ~~of certified public accountants~~) licensee, inactive certificate
35 holder, or firm, or any of their employees shall not disclose any
36 confidential information obtained in the course of a professional
37 transaction except with the consent of the client or former client or
38 as disclosure may be required by law, legal process, the standards of

1 the profession, or as disclosure of confidential information is
2 permitted by RCW 18.04.350 (3) and (~~(4)~~) (5), 18.04.295(8),
3 18.04.390, and this section in connection with (~~quality~~) quality
4 assurance, or peer reviews, investigations, and any proceeding under
5 chapter 34.05 RCW.

6 (2) This section shall not be construed as limiting the authority
7 of this state or of the United States or an agency of this state, the
8 board, or of the United States to subpoena and use such confidential
9 information obtained by a licensee or inactive certificate holder, or
10 any of their employees in the course of a professional transaction in
11 connection with any investigation, public hearing, or other proceeding,
12 nor shall this section be construed as prohibiting a licensee or
13 inactive certified public accountant whose professional competence has
14 been challenged in a court of law or before an administrative agency
15 from disclosing confidential information as a part of a defense to the
16 court action or administrative proceeding.

17 (3) The proceedings, records, and work papers of a review committee
18 shall be privileged and shall not be subject to discovery, subpoena, or
19 other means of legal process or introduction into evidence in any civil
20 action, arbitration, administrative proceeding, or (~~state~~
21 ~~accountancy~~) board proceeding and no member of the review committee or
22 person who was involved in the (~~quality~~) peer review process shall be
23 permitted or required to testify in any such civil action, arbitration,
24 administrative proceeding, or (~~state-accountancy~~) board proceeding as
25 to any matter produced, presented, disclosed, or discussed during or in
26 connection with the (~~quality~~) peer review process, or as to any
27 findings, recommendations, evaluations, opinions, or other actions of
28 such committees, or any members thereof. Information, documents, or
29 records that are publicly available are not to be construed as immune
30 from discovery or use in any civil action, arbitration, administrative
31 proceeding, or (~~state-accountancy~~) board proceeding merely because
32 they were presented or considered in connection with the quality
33 assurance or peer review process.

34 **Sec. 24.** RCW 18.04.420 and 1996 c 293 s 2 are each amended to read
35 as follows:

36 The board shall suspend the license or the inactive certificate of
37 any person who has been certified by a lending agency and reported to
38 the board for nonpayment or default on a federally or state-guaranteed

1 educational loan or service-conditional scholarship. Prior to the
2 suspension, the agency must provide the person an opportunity for a
3 brief adjudicative proceeding under RCW 34.05.485 through 34.05.494 and
4 issue a finding of nonpayment or default on a federally or state-
5 guaranteed educational loan or service-conditional scholarship. The
6 person's license or inactive certificate shall not be reissued until
7 the person provides the board a written release issued by the lending
8 agency stating that the person is making payments on the loan in
9 accordance with a repayment agreement approved by the lending agency.
10 If the person has continued to meet all other requirements for
11 licensure or certification during the suspension, reinstatement shall
12 be automatic upon receipt of the notice and payment of any
13 reinstatement fee the board may impose.

14 NEW SECTION. Sec. 25. A new section is added to chapter 18.04 RCW
15 to read as follows:

16 Licensees, firms, owners, and inactive certificate holders must
17 notify the board of any current or pending actions that would be the
18 basis for disciplinary action of the board, including:

19 (1) An order of a court of competent jurisdiction finding the CPA
20 to have committed an act of negligence, fraud, or dishonesty, or other
21 act reflecting adversely on a CPA's fitness to represent himself or
22 herself as a CPA;

23 (2) An order of a federal, state, local, or foreign jurisdiction
24 regulatory body finding the CPA to have committed an act of negligence,
25 fraud, or dishonesty, or other act reflecting adversely on a CPA's
26 fitness to represent himself or herself as a CPA;

27 (3) Cancellation, revocation, suspension, or refusal to renew the
28 right to practice as a CPA by any other state for any cause other than
29 failure to pay a fee or to meet the requirements of continuing
30 education in the other state;

31 (4) Suspension or revocation of the right to practice before any
32 state or federal agency;

33 (5) Conviction of a crime or an act constituting a crime under:
34 Federal law; the laws of Washington state; or the laws of another
35 state, and which, if committed within this state, would have
36 constituted a crime under the laws of this state; or

1 (6) Adjudication as mentally incompetent.

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