



**RULE-MAKING ORDER**  
**(RCW 34.05.360)**

**CR-103 (7/10/97)**

**Agency:** Board of Accountancy

- Permanent Rule**
- Emergency Rule**
- Expedited Adoption**
- Expedited Repeal**

**(1) Date of adoption:** 4/28/00

**(2) Purpose:**

To clearly prescribe the bases for the Board to impose discipline against Washington CPAs and CPA firms

**(3) Citation of existing rules affected by this order:**

**Repealed:**

**Amended:** WAC 4-25-910 What are the bases for the board to impose discipline?

**Suspended:**

**(4) Statutory authority for adoption:** RCW 18.04.055(11), 18.04.295, and 18.04.305

**Other authority:**

**PERMANENT RULE ONLY (including EXPEDITED ADOPTION):**

Adopted under notice filed as WSR 00-07-015 on 3/3/00 (date).

Describe any changes other than editing from proposed to adopted version: None

**EMERGENCY RULE ONLY**

Under RCW 34.05.350 the agency for good cause finds:

- (a) That immediate adoption, amendment, or repeal of a rule is necessary for the preservation of the public health, safety, or general welfare, and that observing the time requirements of notice and opportunity to comment upon adoption of a permanent rule would be contrary to the public interest.
- (b) That state or federal law or federal rule or a federal deadline for state receipt of federal funds requires immediate adoption of a rule.

Reasons for this finding:

**EXPEDITED REPEAL ONLY**

Under Preproposal Statement of Inquiry filed as WSR \_\_\_\_\_ on \_\_\_\_\_ (date).

**(5.3) Any other findings required by other provisions of law as precondition to adoption or effectiveness of rule?**

- Yes
- No

If Yes, explain:

**(6) Effective date of rule:**

**Permanent Rules**

**or Expedited Rule Making**

- 31 days after filing
- Other (specify) 6/30/00\*

\*(If less than 31 days after filing specific finding in 5.3 under RCW 34-05.380(3) is required)

**Emergency Rules**

- Immediately
- Later (specify) \_\_\_\_\_

**NAME (TYPE OR PRINT)**

Dana M. McInturff, CPA

**SIGNATURE**

**TITLE**

Executive Director

**DATE**

05/09/00

**CODE REVISER USE ONLY**

CODE REVISER'S OFFICE  
STATE OF WASHINGTON  
FILED

MAY 15 2000

TIME 9:09 AM

WSN 00-11-078

(COMPLETE REVERSE SIDE)

Note: If any category is left blank, it will be calculated as zero.  
No descriptive text.

Count by whole WAC sections only, from the WAC number through the history note.  
A section may be counted in more than one category.

The number of sections adopted in order to comply with:

Federal statute:	New	_____	Amended	_____	Repealed	_____
Federal rules or standards:	New	_____	Amended	_____	Repealed	_____
Recently enacted state statutes:	New	_____	Amended	_____	Repealed	_____

The number of sections adopted at the request of a nongovernmental entity:

New \_\_\_\_\_ Amended \_\_\_\_\_ Repealed \_\_\_\_\_

The number of sections adopted on the agency's own initiative:

New \_\_\_\_\_ Amended 1 Repealed \_\_\_\_\_

The number of sections adopted in order to clarify, streamline, or reform agency procedures:

New \_\_\_\_\_ Amended 1 Repealed \_\_\_\_\_

The number of sections adopted using:

Negotiated rule making:	New	_____	Amended	_____	Repealed	_____
Pilot rule making:	New	_____	Amended	_____	Repealed	_____
Other alternative rule making:	New	_____	Amended	<u>1</u>	Repealed	_____

AMENDATORY SECTION (Amending WSR 94-23-070, filed 11/15/94, effective 12/16/94)

WAC 4-25-910 (~~(Bases for imposing discipline.)~~) What are the bases for the board to impose discipline? RCW 18.04.295 (~~(specifies sanctions the board may impose based on a listing of general causes)~~) authorizes the board to revoke, suspend, refuse to renew a license and/or certificate, impose a fine not to exceed one thousand dollars, and recover investigative and legal costs for the specific acts listed below.

The following are specific (~~(acts are)~~) examples of prohibited (~~(activities)~~) acts that constitute grounds for discipline under RCW 18.04.295 and 18.04.305. The board does not intend this listing to be all inclusive.

(1) Fraud or deceit in obtaining a CPA license and/or certificate (~~(as a certified public accountant, or in obtaining a license, within the meaning of RCW 18.04.295(1), includes but is not limited to)~~).

(2) Making a false or misleading statement in support of another's application for (~~(certificate or)~~) a license and/or certificate.

(~~(2)(a)~~) (3) Dishonesty, fraud, or negligence while representing oneself as a CPA (~~(, within the meaning of RCW 18.04.295(2), includes)~~) including but (~~(is)~~) not limited to:

(~~(i)~~) (a) Practicing public accountancy in (~~(this)~~) Washington state prior to obtaining a license;

(~~(ii)~~) (b) Making misleading, deceptive, or untrue representations;

(~~(iii)~~) (c) Engaging in acts of fiscal dishonesty;

(~~(iv)~~) (d) Purposefully, knowingly, or negligently failing to file a report or record, or filing a false report or record, required by local, state, or federal law;

(~~(v)~~) (e) Unlawfully selling unregistered securities;

(~~(vi)~~) (f) Unlawfully acting as an unregistered securities salesperson or broker-dealer;

(~~(vii)~~) (g) Discharging a trustee's duties in a negligent manner or breaching one's fiduciary duties; or

(~~(viii)~~) (h) Withdrawing or liquidating, as fees earned, funds received by a CPA from a client as a deposit or retainer when the client contests the amount of fees earned, until such time as the dispute is resolved.

(~~(b)~~) (4) The following shall be prima facie evidence that a (~~(certified public accountant)~~) CPA has engaged in dishonesty, fraud, or negligence while representing himself or herself as a CPA:

(~~(i)~~) (a) An order of a court of competent jurisdiction finding the CPA to have committed an act of negligence, fraud, or

dishonesty or other act reflecting adversely on a CPA's fitness to represent himself or herself as a CPA((~~7~~)).

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

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

(d) Suspension or revocation of the right to practice before any state or federal agency.

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

~~((~~3~~))~~ (6) A conflict of interest(~~(, within the meaning of RCW 18.04.055(2), includes but is not limited to)~~) such as:

(a) Self dealing as a trustee, including, but not limited to:

(i) Investing trust funds in entities controlled by or related to the trustee;

(ii) Borrowing from trust funds, with or without disclosure; and

(iii) Employing persons ((~~or entities related to the trustee~~)) related to the trustee or entities in which the trust has a beneficial interest to provide services to the trust (unless specifically authorized by the trust creation document)((~~7~~)).

(b) Borrowing funds from ((~~any~~)) a client unless the client is in the business of making loans of the type obtained by the ((~~licensee~~)) certificateholder and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness.

~~((~~4~~))~~ (7) A violation of ((~~a rule of professional conduct promulgated by the board, within the meaning of RCW 18.04.295(4), includes but is not limited to:~~)) the Public Accountancy Act or failure to comply with a board rule contained in chapter 4-25 WAC.

~~((~~a~~))~~ (8) Violation of one or more of the rules of professional conduct included in chapter 4-25 WAC((~~7~~

~~(b) Violation of one or more of the administrative rules included in chapter 4-25 WAC;~~

~~(c))~~ or concealing another's violation of the Public Accountancy Act or board rules.

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

(a) Furnish any papers or documents requested or ordered to produce by the board;

(b) Furnish in writing a full and complete explanation related to a complaint as requested by the board;

(c) Respond to an inquiry of the board;

(d) Respond to subpoenas issued by the board, whether or not the recipient of the subpoena is the accused in the proceeding.

(10) A CPA's adjudication as mentally incompetent is prima facie evidence that the CPA lacks the professional competence

required by the rules of professional conduct.