



RULE-MAKING ORDER

(RCW 34.05.360)

CR-103 (7/22/01)

Agency: Board of Accountancy

- Permanent Rule
- Emergency Rule
- Expedited Rule Making

(1) Date of adoption: 10/25/02

(2) Purpose: To include firm owners in the confidentiality requirements and, while requiring CPAs to maintain information as confidential, ensure a client-relationship is not established by way of pre-engagement discussions with prospective clients

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

Repealed:
 Amended: WAC 4-25-640 Clients' confidential information.
 Suspended:

(4) Statutory authority for adoption: RCW 18.04.055(2)

Other Authority:

PERMANENT RULE ONLY (Including Expedited Rule Making)

Adopted under notice filed as WSR 02-17-049 on August 15, 2002 (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:

(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

- 31 days after filing
- Other (specify) 12/31/02*

*(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
 10/29/02

CODE REVISER USE ONLY

OFFICE OF THE CLERK
 STATE OF WASHINGTON
 FILED

NOV 5 2002

TIME 9:47 AM

WSR 02-22-082

**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Federal statute:	New	Amended	Repealed
Federal rules or standards:	New	Amended	Repealed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 <u>1</u>	Repealed

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

New	Amended	Repealed
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The number of sections adopted in the agency's own initiative:

New	Amended <u>1</u>	Repealed
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The number of sections adopted in order to clarify, streamline, or reform agency procedures:

New	Amended	Repealed
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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 93-22-046, filed 10/28/93, effective 11/28/93)

WAC 4-25-640 Clients' confidential information. (1) The term "client" as used throughout this section includes former and current clients. For purposes of this section, a client relationship has been formed when confidential information has been disclosed by a prospective client in an initial interview to obtain or provide professional services.

(2) **Confidential client communication.** (~~The term "client" as used throughout this section shall include a former, current, or prospective client.~~) A licensee (~~or any partner, officer, shareholder~~), firm owner, or employee of a licensee (~~shall~~) must not without the consent of the client or the heirs, successors or personal representatives of the client disclose any confidential communication or information pertaining to the client obtained in the course of performing professional services.

This rule does not:

(a) Affect in any way a licensee's, firm owner's, or employee's obligation to comply with a (~~validly~~) lawfully issued subpoena or summons (~~enforceable by order of a court~~); (~~or~~)

(b) Prohibit disclosures in the course of a quality review of a licensee's (~~professional~~) attest services; (~~or~~)

(c) Preclude a licensee, firm owner, or employee from responding to any inquiry made by the board or any investigative or disciplinary body established by law or formally recognized by the board. However, a licensee (~~or any partner, officer, shareholder~~), firm owner, or employee of a licensee (~~shall~~) must not disclose or use to their own advantage any confidential client information that comes to their attention in carrying out their official responsibilities; or

(d) Preclude a review of client information in conjunction with a prospective purchase, sale, or merger of all or part of a CPA's practice.

(~~(2)~~) (3) **Client records.** (~~A licensee shall~~) Licenses and firm owners must furnish to (~~his or her~~) their client or heirs, successors or personal representatives, upon request and reasonable notice:

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

(b) Any accounting or other records belonging to, or obtained from or on behalf of, the client, that the licensee or firm owner removed from the client's premises or received for the client's account, including electronic documents; but the licensee or firm owner may make and retain copies of such documents of the client

when they form the basis for work done by the licensee or firm owner.

Licensees and firm owners must not refuse to return client records, including electronic documents, pending client payment of outstanding fees.