



# RULE-MAKING ORDER

**-103 (June 2004)**  
(Implements RCW 34.05.360)

Agency: Board of Accountancy

Permanent Rule  
 Emergency Rule

Effective date of rule:

**Permanent Rules**

31 days after filing.  
 Other (specify) January 31, 2005 (If less than 31 days after filing, a specific finding under RCW 34.05.380(3) is required and should be stated below)

Effective date of rule:

**Emergency Rules**

Immediately upon filing.  
 Later (specify) \_\_\_\_\_

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

Yes  No If Yes, explain:

Purpose: See attached

Citation of existing rules affected by this order:

Repealed:  
Amended: WAC 4-25-756, WAC 4-25-782; WAC 4-25-820  
Suspended:

Statutory authority for adoption: See attached

Other authority :

**PERMANENT RULE ONLY (Including Expedited Rule Making)**

Adopted under notice filed as WSR 04-17-087 and 04-22-098 on August 16, 2004 and November 2, 2004 (date).  
Describe any changes other than editing from proposed to adopted version: None

If a preliminary cost-benefit analysis was prepared under RCW 34.05.328, a final cost-benefit analysis is available by contacting:

Name: \_\_\_\_\_ phone ( ) \_\_\_\_\_  
Address: \_\_\_\_\_ fax ( ) \_\_\_\_\_  
e-mail \_\_\_\_\_

**EMERGENCY RULE ONLY**

Under RCW 34.05.350 the agency for good cause finds:

- 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.
- 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:

Date adopted: December 10, 2004

NAME (TYPE OR PRINT)

Dana M. McInurff

SIGNATURE

TITLE

Executive Director

**CODE REVISER USE ONLY**

Stamp area with handwritten text: 12/16/04, 2:15, AM, WSR 05-01-135

(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:**

<b>Federal statute:</b>	New	_____	Amended	_____	Repealed	_____
<b>Federal rules or standards:</b>	New	_____	Amended	_____	Repealed	_____
<b>Recently enacted state statutes:</b>	New	_____	Amended	<u>3</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>3</u>	Repealed	_____
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**The number of sections adopted in order to clarify, streamline, or reform agency procedures:**

New	_____	Amended	<u>3</u>	Repealed	_____
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**The number of sections adopted using:**

<b>Negotiated rule making:</b>	New	_____	Amended	_____	Repealed	_____
<b>Pilot rule making:</b>	New	_____	Amended	_____	Repealed	_____
<b>Other alternative rule making:</b>	New	_____	Amended	<u>3</u>	Repealed	_____

**Purpose:**

**General Note:** The transition period implemented by the revisions to chapter 18.04 RCW (the Public Accountancy Act) passed through the 2001 Legislative Session (Engrossed Second Substitute Senate Bill 5593) ended June 30, 2004. Effective July 1, 2004, all certificateholders must use the CPA-Inactive title. The rules address the required 'CPA-Inactive' title.

Additionally, the Board revised language to:

- Promote clarity
- Ensure effective communication
- Ensure fairness in interpretation and application of the rules
- Promote efficiencies through minimizing gray areas
- Incorporate current policy into rule

WAC section	The revision:
WAC 4-25-756	Clarifies the language regarding the provision of attest services to note that out-of-state sole practicing CPAs holding valid practice privilege are not required to have a firm license
WAC 4-25-782	Clarifies the language regarding the provision of attest services to note that out-of-state sole practicing CPAs holding valid practice privilege are not required to have a firm license
WAC 4-25-820?	<ul style="list-style-type: none"> <li>• Revises language to align with the Board's purpose as defined in RCW 18.04.015.</li> <li>• Moves the following from Board policy to rule: (1) notice of required participation in QAR is mailed in January, (2) participating firms must submit a quality assurance review status form and fees by April 30, and (3) late fees will be assessed.</li> <li>• Adds the reasons/justification that the Board will consider when approving a late fee waiver request based on the Board's history of approving waiver request.</li> <li>• Moves subsections (e) and (f) to a more logical placement.</li> <li>• Removes the reference to maintain certain information in confidence (may not be possible given the Public Disclosure Act).</li> <li>• Clarifies that the cost of preissuance review will be at the firm's expense.</li> <li>• Eliminates a vague limitation as to when the board may initiate an investigation and clarifies that the board may use investigators.</li> <li>• Multiple verbiage improvements</li> <li>• Adds "or other comprehensive basis of accounting, if applicable" to subsection (2)(g)(i) Many compilations are not prepared on the basis of GAAP, but are tax basis, cash basis, or modified cash basis. Compliance with professional standards includes conformity with these less well defined bases of accounting.</li> </ul>

WAC section	Statutory authority for adoption
WAC 4-25-756	RCW 18.04.350(6)
WAC 4-25-782	RCW 18.04.183
WAC 4-25-820	RCW 18.04.055(9)

AMENDATORY SECTION (Amending WSR 02-04-064, filed 1/31/02, effective 3/15/02)

**WAC 4-25-756 I am licensed in another state--How do I notify the board of my intent to enter the state in order to obtain practice privileges in the state of Washington?** If you hold a valid license to practice public accountancy in another state, you may practice public accountancy in Washington state under a grant of practice privileges if:

- (1) You are an individual;
- (2) Your qualifications are found to be substantially equivalent to a Washington licensee because:
  - (a) Your education, examination, and experience are deemed by the board to be substantially equivalent to Washington's requirements for initial licensure; or
  - (b) Your original license was issued by a state the board has deemed to be substantially equivalent to Washington's requirements;
- (3) Your principal place of business is not in Washington state; and
- (4) You comply with the act and all board rules applicable to Washington state licensees and subject yourself to discipline for violation of the act or board rules.
- (5) You notify the board of your intent to enter the state using the form(s) provided by the board.

You need to fully complete the form(s) and submit the form(s), all applicable fees, and all required documentation to the board's office.

Notification is not complete and cannot be processed until all fees, required documentation, required information, and other documentation deemed necessary by the board are received by the board. The board will mail its confirmation of the receipt of your notification to the last address you provided to the board.

Your notification will expire on June 30 of the third calendar year following the date you submit your notification.

Provided no sanctions or investigations by other jurisdictions are in process and you have met the requirements for practice privileges, upon filing your notification with the board, you may use the CPA title in Washington state.

You must notify the board within thirty days if your license or certificate issued by another jurisdiction has lapsed or otherwise becomes invalid.

((Unless you are a sole practitioner)) With the exception of out-of-state sole practicing CPAs holding valid practice privileges in Washington state under WAC 4-25-756, you may only offer to provide attest services in a ((licensed)) CPA firm licensed by the board and meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 01-22-036, filed 10/30/01, effective 12/1/01)

**WAC 4-25-782 How do I apply for an initial Washington state license through foreign reciprocity?** Pursuant to RCW 18.04.183 the board may issue a license through foreign reciprocity provided you meet the requirements for application through foreign reciprocity established by the act, WAC 4-25-781 and 4-25-830(7).

To apply for an initial Washington state CPA license, you must use the foreign reciprocity application form(s) provided by the board.

You need to fully complete the form(s), and submit the form(s), all applicable fees, required information, required documentation, or other documentation deemed necessary by the board to the board's office.

An application is not complete and cannot be processed until all fees, required information, required documentation, or other documentation deemed necessary by the board are received by the board. When the processing of your application is complete, your license will be mailed to the last address you provided to the board.

Your Washington state CPA license will expire on June 30 of the third calendar year following initial licensure.

You may not use the title CPA until you have received notice from the board that your Washington state license has been approved. With the exception of out-of-state sole practicing CPAs holding valid practice privileges in Washington state under WAC 4-25-756, attest services may only be offered or performed in a CPA firm licensed by the ((Washington state)) board ((of accountancy)) and meeting the requirements of WAC 4-25-750.

AMENDATORY SECTION (Amending WSR 02-04-064, filed 1/31/02, effective 3/15/02)

**WAC 4-25-820 What are the requirements for participating in quality assurance review (QAR)?** (1) **Purpose.** The Washington state board of accountancy is charged with protection of the public interest and ensuring the integrity of financial information as it relates to the licensure of ~~((certified public accountants~~+)CPAs(~~+~~)) and CPA firms. The purpose of the QAR program is to monitor licensees' compliance with attest standards.

(2) **Structure and implementation.**

(a) The board will annually appoint a quality assurance review committee to perform the following functions:

(i) Review of financial statements and the reports of licensees thereon to assess their compliance with applicable professional standards;

(ii) Improvement of reporting practices of licensees through education and rehabilitative measures;

(iii) Referral of cases requiring further investigation to the board ~~((or its designee))~~; and

(iv) Such other functions as the board may assign to the committee.

(b) Once every three years the board ~~((may request from))~~ will require each licensed firm(, and such) to participate in the board's quality assurance review program. Participating firms will be notified by the board in January of the reporting requirement, and participating firms will be required to submit a quality assurance review status form, along with the appropriate fee, by the following April 30th. Failure to submit a complete quality assurance review status form postmarked by the April 30th due date, will result in the assessment of late fees. The board may waive late fees based on individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment.

(c) Each participating firm shall submit, for each of its offices, a compilation report, a review report, and an audit report. A firm shall select these reports from all reports prepared during the twelve months preceding the date of board request or, if no reports have been issued within the last twelve months, from all reports during the preceding three years.

If reports issued by all offices of a firm are reviewed and issued in a controlled, centralized process, only one of each of the reports specified above need be submitted by the firm as a whole.

~~((+))~~ (d) The board may exempt from the requirement of ~~((+))~~ (c) of this subsection any firm which has participated in a board-approved peer review program within the three years immedi-

ately preceding the date of board request. Firms requesting exemption must submit a copy of an unmodified report, letter of comments, response to letter of comments, if applicable, and letter of acceptance from the reviewing organization. Firms that receive modified peer review reports may request exemption, but must submit copies of such reports and related correspondence, at the discretion of the board, for consideration on an individual basis.

~~((d))~~ (e) Any documents submitted in accordance with ~~((b))~~ (c) of this subsection may have the name of the client, the client's address, and other identifying factors omitted, provided that the omission does not render the type or nature of the ~~((enterprise))~~ entity undeterminable. Dates may not be omitted.

~~((e) The committee may solicit and review financial statements and related reports of licensees from clients, public agencies, banks, and other users of financial statements.)~~

~~((f) ((In gathering information about the attest work of licensees, the committee may make use of investigators, either paid or unpaid, who are not themselves members of the committee.~~

~~(g) The identities of the sources of financial statements and reports received by the board or the committee from other than the licensees who issued the reports shall be preserved in confidence.)~~ Reports submitted to the committee pursuant to ~~((b))~~ (c) of this subsection and comments of reviewers, the committee and the board on such reports or workpapers relating thereto, shall also be preserved in confidence except to the extent that they are communicated by the board to the licensees who issued the reports or disclosure is required under administrative procedure rules or by direction of a court of law.

~~((h))~~ (g) The committee's review of financial statements and reports of the licensees thereon shall be directed toward the following:

(i) Presentation of financial statements in conformity with generally accepted accounting principles or other comprehensive basis of accounting, if applicable;

(ii) Compliance by licensees with generally accepted auditing standards;

(iii) Compliance by licensees with other professional standards; and

(iv) Compliance by licensees with the rules of the board and other regulations relating to the practice of public accounting.

~~((i))~~ (h) If the board determines that a report referred to the board by the committee is substandard or seriously questionable with respect to applicable professional standards, the board may take one or more of the following actions:

(i) Send the licensee ~~((firm))~~ a letter of comment detailing the perceived deficiencies and require the licensee to develop quality control procedures to ensure that similar occurrences will not occur in the future;

(ii) Require any ~~((individual))~~ licensee who had responsibility for issuance of a report, or who substantially participated in preparation of the report and/or related workpapers, to successfully complete specific courses or types of continuing education as specified by the board;

(iii) Require that the ~~((office))~~ licensee responsible for a substandard report submit all or specified categories of its reports to a preissuance review in a manner and for a duration prescribed by the board. The cost of the preissuance review will be at the firm's expense;

(iv) Require the ~~((office or the))~~ licensee ~~((firm))~~ responsible for a substandard report to submit to a peer review conducted in accordance with standards acceptable to the board. The cost of the peer review will be at the ~~((firm's))~~ licensee's expense;

(v) Require the licensee ~~((firm))~~ responsible for substandard work to submit to on-site field review or other investigative procedures of work product and practices by board representatives in order to assess the degree or pervasiveness of substandard work. The board may assess the costs of such field review or procedures to the ~~((firm))~~ licensee if the results of such investigative efforts substantiate the existence of substandard work product;

(vi) Initiate an investigation pursuant to RCW 18.04.295, 18.04.305, and/or 18.04.320 ~~((if it appears that the professional conduct reflected in a substandard report is so serious as to warrant consideration of possible disciplinary action))~~.

(i) The board may solicit and review financial statements and related reports of licensees from clients, public agencies, banks, and other users of financial statements. In gathering information about the attest work of licensees, the board may make use of investigators.