



RULE-MAKING ORDER

R-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Repealed: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: See attached
 Suspended:

Statutory authority for adoption: See attached

Other authority :

PERMANENT RULE ONLY (Including Expedited Rule Making)

Adopted under notice filed as WSR 04-17-085 and 04-22-096 on August 16, 2004 and November 2, 2004 (date).

Describe any changes other than editing from proposed to adopted version:

- 4-25-410 - Definitions - did not adopt the suggested changes to subsection (16)
- 4-25-631 - General Accountability Office and General Accounting Office were changed to Governmental Accountability Office in second paragraph and in subsection (12)
- 4-25-830(3) - In the six places where the word "ethics" appears, the Board inserted "and regulations" and eliminated the word "only" from the last line of the first paragraph of the subsection.

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. McInturff

SIGNATURE

TITLE
Executive Director

CODE REVISER USE ONLY

CODE REVISER'S OFFICE
 STATE OF WASHINGTON

[Handwritten signature and date]

01-137

**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>33</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>33</u>	Repealed	_____
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The number of sections adopted in order to clarify, streamline, or reform agency procedures:

New	_____	Amended	<u>33</u>	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>33</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 4-25-400	Addresses the required title usage: CPA-Inactive
WAC 4-25-410	<ul style="list-style-type: none"> • Adds a definition of "Applicant" which was incorporated by way of SB 6123 into 18.04.295: The board shall have the power to: Revoke, suspend, {+ or +} refuse to {+ issue, +} renew, or reinstate a license or certificate; impose a fine in an amount not to exceed thirty thousand dollars plus the board's investigative and legal costs in bringing charges against a certified public accountant, a certificate holder, a licensee, a licensed firm, {+ an applicant, a non-CPA violating the provisions of RCW 18.04.345, +} or a nonlicensee holding an ownership interest in a licensed firm; may impose full restitution to injured parties; may impose conditions precedent to renewal of a certificate or a license; or may prohibit a nonlicensee from holding an ownership interest in a licensed firm, for any of the following causes: . . . • Adds Public Company Accounting Oversight Board (PCAOB) auditing standards to the list of what "Attest Services" includes • Revises the definition of "Certificateholder," "CPA," and "Rules of professional conduct" to address the new CPA-Inactive title use requirement • Adds the definition of "CPA-Inactive" and clarifies what is meant by "Inactive" • Eliminates the definition of "Enterprise" because the term is no longer used in the rules • Clarifies what is meant by "Interactive self-study program" • Clarifies that "Licensee" means both an individual CPA and a CPA firm (note - this definition is established in 18.04 RCW) • Adds clarifying information to the definition of "Public practice," "Reciprocity," and "Reports on financial statements"
WAC 4-25-510	Eliminates the December board meeting and establishes the October meeting as the board's annual meeting
WAC 4-25-540	<ul style="list-style-type: none"> • Clarifies the language to address the new CPA-Inactive title • Adds firm license amendments to those applications subject to Brief Adjudicative Proceedings (BAP) • Adds clarifying language to note that both the Executive Director and the Vice-Chair may delegate the position of presiding officer for a BAP and BAP appeal, respectively • Other verbiage improvements
WAC 4-25-550	<ul style="list-style-type: none"> • Reflects the new CPA-Inactive title use requirement • Adds the requirement that applicants must notify the board of a change in address

WAC section:	The revision:
	<ul style="list-style-type: none"> Clarifies that firms must notify the Board of changes in the main office or a branch office.
WAC 4-25-551	<ul style="list-style-type: none"> Reflects the new CPA-Inactive title use requirement. Adds the requirement that applicants must respond to Board inquiries.
WAC 4-25-610	Adds clarifying language to reflect the new CPA-Inactive title use requirement plus other general language clarifications
WAC 4-25-620	Adds clarifying language to reflect the new CPA-Inactive title use requirement
WAC 4-25-626	Adds clarifying language to reflect the new CPA-Inactive title use requirement plus other general language clarifications
WAC 4-25-630	Adds clarifying language to reflect the new CPA-Inactive title use requirement
WAC 4-25-631	<ul style="list-style-type: none"> Clarifies language to reflect the new CPA-Inactive title use requirement Adds the Public Company Accounting Oversight Board (PCAOB) as a regulatory body Corrects the language referring to Statements of Financial Accounting Standards Adds the new AICPA Statements on Standards for Litigation Services and the Standards issued by the PCAOB as required standards For clarification, adds IRS Circular 230 (compliance with IRS standards is required by way of the first two paragraphs of the rule) Changes references to the U.S. General Accounting Office (GAO) to the current title "Governmental Accountability Office" Subsection (5) - Statements of Financial Accounting Standards and Interpretations, and Staff Positions reflectd the exact name of the standards issued by FASB.
WAC 4-25-640	Adds clarifying language to reflect the new CPA-Inactive title use requirement
WAC 4-25-650	Adds clarifying language to reflect the new CPA-Inactive title use requirement
WAC 4-25-660	<ul style="list-style-type: none"> Clarifies language to reflect the new CPA-Inactive title use requirement. Eliminates the subsection regarding when certificateholders must display the title "CPA-Inactive" because as of July 1, 2004 all certificateholders must use the title "CPA-Inactive."
WAC 4-25-661	Establishes the requirement that individuals may only use the CPA or CPA-Inactive title in association with the name that they have registered with the Board. To use the title with a non-registered name could be considered false and or misleading to the public
WAC 4-25-670	Clarifies language to reflect the new CPA-Inactive title use requirement
WAC 4-25-710	<ul style="list-style-type: none"> Clarifies the number of quarter hours that equates to semester hours Changes the word upper "division" to upper "level" for consistency throughout the rule Changes the definition of an upper level course to a course that frequently carries completion of a lower level course to provide greater flexibility to candidates in using community college accounting credits for meeting the accounting subject portion of the accounting concentration requirement Moves the current 1.5 credit multiplier for graduate level course credits from Board policy to the rule for the accounting subject portion of the accounting

WAC section:	The revision:
	<p>concentration requirement</p> <ul style="list-style-type: none"> • 120 day provision changes: Colleges and universities are offering courses that are up to 5 months in length where the course is set up to support preparing for the entire exam; however, the attendees study and prepare to sit for one section of the exam at a time. This change extends the current 120-day provision to 180 days to ensure applicants are able to take the sections in alignment with these college courses designed to support their study (and not have to delay taking a sections of the exam until they are 120 days away from the end of the course). Also, the revision changes the requirement so that applicant's must submit documentation of meeting the 180-day requirement within 210 days of first sitting for the exam. This will support administration of the examination files. • Clarifies the "accreditation standards" do in fact allow community college credits earned after the individual was awarded a degree • Clarifies the name of the NW Commission on Colleges and Universities • Clarifies that the Board does not provide education credential evaluation services • Includes other verbiage improvements
WAC 4-25-720	<ul style="list-style-type: none"> • Eliminates the pre-January 1, 2004 application requirements • Moves the following from Board policy to the rule: (1) requirement for completing an application within 60 days, (2) the current fee refund/forfeiture provision, and (3) current passing score of 75 • Eliminates the provisions related to a pre-January 1, 2004 notice of denied application • Aligns the language in the rule to the national language re: Notice to Schedule (NTS)
WAC 4-25-721	<p>Aligns the rule with the 2004 SB6123 changes to 18.04.295 which authorizes the Board to fine and recover legal and investigative costs from individuals found guilty of cheating on the CPA exam</p>
WAC 4-25-730	<ul style="list-style-type: none"> • Clarifies the verifying CPA requirements currently established in policy • Revises language based on the CPA-Inactive title requirements • Moves the applicant records retention requirements from Board policy to rule and extends the applicant's required record retention period from 1 year to 3 years. • Establishes a specific time period in which a Board audit of experience must occur (within 3 years after licensure).
WAC 4-25-735	<ul style="list-style-type: none"> • Revises language based on the CPA-Inactive title requirements and the fact that all certificateholders must now use the CPA-Inactive title • Adds references to the appropriate subsection in 4-25-830 so individuals can easily find the CPE requirements • Eliminates the reference to a fee (there is no fee for a CPA-Inactive certificateholder to convert to a license) • Clarifies the language regarding 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 4-25-745	<ul style="list-style-type: none"> • Because of the high number of individuals who reference this particular rule, for clarity includes the CPE requirements for licensure • Currently individuals who allow four years (or more) to lapse between passing the exam and applying for a license must meet the CPE requirements that a CPA must complete in order to qualify for renewal (120 hours, limited to 24 hours of nontechnical, and including 4 hours of ethics). The suggested revision changes the licensure requirement so that the four CPE hours in ethics must be completed within the six months of applying for a license. This will help ensure

WAC section:	The revision:
	<p>the applicant will be current on the ethics requirements for holding a CPA license in Washington state</p> <ul style="list-style-type: none"> • Clarifies the language regarding 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 4-25-746	<ul style="list-style-type: none"> • Adds the new interstate reciprocity statutory provision (from SB 6123) allowing for licensure via interstate reciprocity if the CPA has three years public practice experience out of the prior five years • Clarifies the language regarding 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 4-25-750	<ul style="list-style-type: none"> • Clarifies the language regarding 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. • Eliminates the requirement to name the corporate directors, LLC managers and all officers based on the Board's history of not collecting this information • Clarifies the reasons/justification that the Board will consider when approving a late fee waiver request based on the Board's history of approving waiver requests • Eliminates the requirement to report as a firm amendment the opening, closing or relocating a main or a branch office (this requirement is governed by 4-25-550 – Do I need to notify the Board if I change my address)
WAC 4-25-783	<ul style="list-style-type: none"> • Revises language based on the CPA-Inactive title requirements. • Adds a reference to the appropriate subsection in 4-25-830 so individuals can easily find the CPE requirements • Clarifies the language regarding 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 • Includes other minor verbiage improvements
WAC 4-25-790	<ul style="list-style-type: none"> • Revises language based on the CPA-Inactive title requirements • Adds a reference to the appropriate subsection in 4-25-830 so individuals can easily find the CPE requirements • Clarifies the reasons/justification that the board will consider when approving a late fee waiver request based on the Board's history of approving waiver requests • Clarifies that if a CPA-Inactive certificateholder allows their certificate to lapse, they may not use the title
WAC 4-25-791	<ul style="list-style-type: none"> • Revises language based on the CPA-Inactive title requirements • Clarifies that the "CPA" title may not be used until notice of licensure has been received from the Board • Adds a reference to the appropriate subsection in 4-25-830 so individuals can easily find the CPE requirements. • Clarifies the language regarding 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 4-25-792	<ul style="list-style-type: none"> • Revises language based on the CPA-Inactive title requirements • Adds a reference to the appropriate subsection in 4-25-830 so individuals can easily find the CPE requirements • Moves the following three provisions from Board policy to rule: (1) that the

WAC section:	The revision:
	<p>reinstatement is effective until June 30th of the 3rd calendar year following reinstatement (2) the CPE reporting period for the next renewal begins on January 1st of the calendar year in which the reinstatement occurs, and (3) CPE used for reinstatement purposes cannot be re-used for renewal</p> <ul style="list-style-type: none"> • Adds that title use is contingent upon receipt of notice from the Board • Adds language regarding 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 4-25-793	<ul style="list-style-type: none"> • Revises language based on the CPA-Inactive title requirements • Adds a reference to the appropriate subsection in 4-25-830 so individuals can easily find the CPE requirements • Requires the applicant to certify, under the penalty of perjury, that they have not used the title when their license or certificate was retired • Moves the following provisions from Board policy to rule: (1) that renewal is effective until June 30th of the 3rd calendar year following reinstatement, (2) the CPE reporting period for the next renewal begins on January 1st of the calendar year in which the renewal after retirement occurs, and (3) CPE used for renewal after retirement purposes cannot be re-used for renewal • Clarifies the language regarding 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 • Includes other verbiage improvements
WAC 4-25-795	<ul style="list-style-type: none"> • Revises language based on the CPA-Inactive title requirements • Adds a reference to the appropriate subsection in 4-25-830 so individuals can easily find the CPE requirements • Moves the following provisions from Board policy to rule: (1) that renewal is effective until June 30th of the 3rd calendar year following reinstatement, (2) the CPE reporting period for the next renewal begins on January 1st of the calendar year in which the reinstatement occurs, and (2) CPE used for reinstatement purposes cannot be re-used for renewal • Adds that the title use is contingent upon receipt of notice from the board. • Adds language regarding 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 • Includes other verbiage improvements
WAC 4-25-830	<ul style="list-style-type: none"> • Eliminates the 20 hours a year minimum to allow CPAs to define the number of hours needed each year in order to comply with the 120 CPE hour requirement and ensure professional competency • Requires that beginning with CPE reporting periods starting January 1, 2006 or later that the required ethics CPE must be a course that has been approved by the Board and the CPE must contain specific information (Board rules, AICPA code, variances between the rules and the code.) • Subsection (3) - Adds that a course instructor may submit documentation associated with an ethics CPE course to the Board for approval • Revises language per the new CPA-Inactive title requirement • CPE requirement to renew a retired license or certificate: Moves the requirement for CPE to be completed within the 36 month period immediately preceding the submission of the application from Board policy to rule and changes the requirement so that the required ethics CPE must be completed within the six months before the application is submitted (previously was within 36 months preceding application).

WAC section:	The revision:
	<ul style="list-style-type: none"> • CPE requirement for a certificateholder applying for a license: Eliminates the incremental requirement for CPE depending upon the length of time a certificateholder held a certificate because as of July 1, 2004 all certificateholder will have held their certificates for three years or more • New subsection (7) – Changes “three-year” period to “thirty-six month” period for verbiage consistency with other rules • CPE requirement for reinstatement: Changes the CPE ethics requirement so it must be completed within six months of applying for a license (previously was within 36 months preceding application). • Clarifies the reasons/justification the Board will consider when granting a CPE waiver request based on the Board’s history of approving waiver requests • Includes other verbiage improvements
WAC 4-25-831	<ul style="list-style-type: none"> • Clarifies the language regarding what is a qualifying program • Adds that volunteer board service qualifies for up to 32 hours of technical CPE • Eliminates the (now) duplicate provision regarding ethics CPE applicable to the practice of public accounting in Washington state • Includes other verbiage improvements
WAC 4-25-910	<ul style="list-style-type: none"> • Revises language based on the CPA-Inactive title requirements • As a result of SB6123 that changed the provisions of RCW 18.04, adds ‘applicants’ to several examples of prohibited acts

Citation of existing rules affected by this order:

WAC sections:	Title:
WAC 4-25-400	What is the authority for and the purpose of the board’s rules?
WAC 4-25-410	Definitions
WAC 4-25-510	What is the board’s meeting schedule and how are officers elected?
WAC 4-25-540	What rules govern the proceedings before the board?
WAC 4-25-550	Do I need to notify the board if I change my address?
WAC 4-25-551	Must I respond to inquiries from the board?
WAC 4-25-610	Which rules govern the conduct of CPAs?
WAC 4-25-620	What are the requirements concerning integrity and objectivity
WAC 4-25-626	What restrictions govern commissions, referral, and contingent fees?
WAC 4-25-630	What are the requirements concerning competence?
WAC 4-25-631	With which rules, regulations and professional standards must a CPA, CPA firm, and firm owner comply?
WAC 4-25-640	What are the requirements concerning records and clients confidential information?
WAC 4-25-650	What acts are considered discreditable?
WAC 4-25-660	What are the limitations on advertising and other forms of solicitation?
WAC 4-25-661	What are the limitations regarding firm names?
WAC 4-25-670	What enforcement actions must be reported to the board?
WAC 4-25-710	What are the education requirements to qualify to apply for the CPA examination?
WAC 4-25-720	How do I apply to take the CPA examination?
WAC 4-25-721	What does the board consider to be cheating on the CPA examination what actions may the board take if cheating is suspected, and what sanctions may the board impose if cheating occurs?
WAC 4-25-730	What are the experience requirements in order to obtain a CPA license?
WAC 4-25-735	What rules must a certificateholder comply with and how does a certificateholder apply for licensure?

WAC sections:	Title:
WAC 4-25-745	How do I apply for an initial CPA license?
WAC 4-25-746	How do I apply for a Washington state CPA license if I hold a valid CPA license in another state?
WAC 4-25-750	What are the CPA firm licensing requirements?
WAC 4-25-783	How do I renew a Washington CPA certificate and/or license granted through foreign reciprocity?
WAC 4-25-790	How do I renew my individual license, certificate, or registration as a resident nonlicensee firm owner?
WAC 4-25-791	I am a certificateholder. Prior to July 1, 2001, I held a license. How do I apply to return to my previous status as a licensee?
WAC 4-25-792	How do I reinstate a lapsed individual license, certificate, or registration as a resident nonlicensee firm owner?
WAC 4-25-793	If I am retired, how do I apply to return to my previous status as a licensee or a certificateholder?
WAC 4-25-795	How do I reinstate a revoked or suspended license, certificate, or registration as a resident nonlicensee firm owner?
WAC 4-25-830	What are the CPE requirements?
WAC 4-25-831	What are the program standards for CPE?
WAC 4-25-910	What are the bases for the board to impose discipline?

Statutory authority for adoption:

WAC section:	Statutory authority for adoption
WAC 4-25-400	RCW 18.04.055
WAC 4-25-410	RCW 18.04.055
WAC 4-25-510	RCW 18.04.055 and 42.30.070
WAC 4-25-540	RCW 18.04.055(1); 34.05.222; and 34.05.482
WAC 4-25-550	RCW 18.04.055(16)
WAC 4-25-551	RCW 18.04.055(16)
WAC 4-25-610	RCW 18.04.055(2)
WAC 4-25-620	RCW 18.04.055(2)
WAC 4-25-626	RCW 18.04.055(2)
WAC 4-25-630	RCW 18.04.055(2)
WAC 4-25-631	RCW 18.04.055(2)
WAC 4-25-640	RCW 18.04.055(2); 18.04.390(4)(b); RCW 18.04.405(1)
WAC 4-25-650	RCW 18.04.055(2)
WAC 4-25-660	RCW 18.04.055(2)
WAC 4-25-661	RCW 18.04.055(4), (8); 18.04.345(5)
WAC 4-25-670	RCW 18.04.195(10)(b); 18.04.215(9)(b)
WAC 4-25-710	RCW 18.04.055(5) and 18.04.105(1)
WAC 4-25-720	RCW 18.04.105(2)
WAC 4-25-721	RCW 18.04.105(2)
WAC 4-25-730	RCW 18.04.955(11); 18.04.105(1)(d)
WAC 4-25-735	RCW 18.04.055(12); 18.04.105(4)
WAC 4-25-745	RCW 18.04.055; 18.04.105(1); 18.04.215(1)
WAC 4-25-746	RCW 18.04.180; 18.04.215(6)
WAC 4-25-750	RCW 18.04.055(8); 18.04.195; 18.04.205
WAC 4-25-783	RCW 18.04.183; 18.04.215(2)
WAC 4-25-790	RCW 18.04.215(2), (4)
WAC 4-25-791	RCW 18.04.215(2), (4)
WAC 4-25-792	RCW 18.04.215(2), (4)

Attachment to CR-103

Washington State Board of Accountancy

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WAC section:	Statutory authority for adoption
WAC 4-25-793	RCW 18.04.215(7)
WAC 4-25-795	RCW 18.04.215(2); 18.04.335; 34.05.220
WAC 4-25-830	RCW 18.04.055(7); 18.04.215(5)
WAC 4-25-831	RCW 18.04.055(7); 18.04.215(5)
WAC 4-25-910	RCW 18.04.055(16); 18.04.295; 18.04.305

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

WAC 4-25-400 What is the authority for and the purpose of the board's rules? The Public Accountancy Act (act), chapter 18.04 RCW, establishes the board as the licensing and disciplinary agency for certified public accountants (CPA), CPA-Inactive certificateholders, CPA firms, and owners of CPA firms. The act authorizes the board to promulgate rules to carry out the purpose of the act, which include:

- Protecting the public interest;
- Enhancing the reliability of information used for guidance in financial transactions or for accounting for or assessing financial status or performance;
- Establishing one set of qualifications to be a licensee;
- Assuring that CPAs practicing in Washington have substantially equivalent qualifications to those practicing in other states;
- Regulating ownership of CPA firms;
- Publishing consumer alerts and public protection information regarding persons and firms who violate the act or board rules; and
- Providing general consumer protection information to the public.

The board's rules, contained in chapter 4-25 WAC, encompass these subjects:

- Definitions;
- Administration of the board;
- Ethics and prohibited practices;
- Entry and renewal requirements;
- Continuing competency; and
- Regulation and enforcement.

AMENDATORY SECTION (Amending WSR 03-24-033, filed 11/25/03, effective 12/31/03)

WAC 4-25-410 Definitions. For purposes of these rules the following terms have the meanings indicated unless a different meaning is otherwise clearly provided in these rules:

(1) **"Act"** means the Public Accountancy Act codified as chapter 18.04 RCW.

(2) **"Active individual participant"** means a natural person whose primary occupation is at the firm or affiliated entity's business. An individual whose primary source of income from the business entity is provided as a result of passive investment is not an active individual participant.

(3) **"Affiliated entity"** means any entity, entities or persons that directly or indirectly through one or more relationships influences or controls, is influenced or controlled by, or is under common influence or control with other entities or persons. This definition includes, but is not limited to, parents, subsidiaries, investors or investees, coinvestors, dual employment or management in joint ventures or brother-sister entities.

(4) **"Applicant"** means an individual who has applied:

(a) To take the CPA exam;

(b) For a CPA license, a CPA firm license, registration as a resident nonlicensee owner, or practice privileges;

(c) To renew a CPA license, a CPA-Inactive certificate, a CPA firm license, or registration as a resident nonlicensee firm owner;

(d) To reinstate a CPA license, a CPA-Inactive certificate, or registration as a resident nonlicensee firm owner.

(5) **"Attest services"** are services performed by a licensee in accordance with:

(a) Statements on Auditing Standards and related Auditing Interpretations issued by the American Institute of Certified Public Accountants (AICPA);

(b) Statements on Standards for Accounting and Review Services and related Accounting and Review Services Interpretations issued by the AICPA; ~~((and))~~

(c) Statements on Standards for Attestation Engagements and related Attestation Engagements Interpretations issued by the AICPA; or

(d) Auditing standards issued by the Public Company Accounting Oversight Board (PCAOB).

~~((+5))~~ (6) **"Audit," "review," and "compilation"** are terms reserved for use by licensees and individuals granted practice privileges under the act.

~~((+6))~~ (7) **"Board"** means the board of accountancy created by RCW 18.04.035.

~~((+7))~~ (8) **"Certificate"** means a certificate as a CPA-

Inactive issued in the state of Washington prior to July 1, 2001, as authorized by the act, unless otherwise defined in rule.

~~((8))~~ (9) "Certificateholder" means the holder of a valid CPA-Inactive certificate ~~((as a certified public accountant who has))~~ where the individual is not ~~((become))~~ a licensee ~~((, has maintained CPE requirements,))~~ and ~~((who does not practice))~~ is prohibited from practicing public accounting.

~~((9))~~ (10) "Client" means the person or entity that retains a CPA firm, a CPA, the CPA's firm, or a firm owner, an affiliated entity, or the owner of an affiliated entity through other than an employer/employee relationship.

~~((10))~~ (11) "Commissions and referral fees" are compensation arrangements where:

(a) The primary contractual relationship for the product or service is not between the client and the CPA firm, the CPA, the CPA's firm, or a firm owner;

(b) The CPA firm, the CPA, the CPA's firm, or a firm owner is not primarily responsible to the client for the performance or reliability of the product or service;

(c) The CPA firm, the CPA, the CPA's firm, or a firm owner adds no significant value to the product or service; or

(d) A third party instead of the client pays the CPA firm, the CPA, the CPA's firm, or a firm owner for the products or services.

~~((11))~~ (12) "Contingent fees" are fees established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service.

~~((12))~~ (13) "CPA" or "certified public accountant" means a natural person holding a ~~((CPA certificate or a))~~ CPA license to practice public accounting recognized in the state of Washington, including a person granted practice privileges pursuant to RCW 18.04.350(2).

~~((13))~~ (14) "CPA-Inactive" means a natural person holding a CPA-Inactive certificate recognized in the state of Washington. An individual holding a CPA-Inactive certificate is prohibited from practicing public accounting and may only use the CPA-Inactive title if they are not offering accounting, tax, tax consulting, management advisory, or similar services to the public.

(15) "CPE" means continuing professional education ~~((see also "Interactive self-study program"))~~.

~~((14))~~ (16) "Entering the state" means an individual is practicing public accounting in the state of Washington and that individual spends more than ten percent of his or her total work hours on activities conducted within the state of Washington, maintains an office or workstation in the state of Washington or advertises to provide his or her services within the state of Washington.

~~((15))~~ "Enterprise" means any person or entity, whether organized for profit or not, with respect to which a CPA firm, a CPA, a CPA's firm, or a firm owner performs professional services.

~~((16))~~ (17) "Firm" means a sole proprietorship, a corporation,

or a partnership. "Firm" also means a limited liability company formed under chapter 25.15 RCW.

~~((17))~~ (18) "Generally accepted accounting principles" (GAAP) is an accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of general application, but also detailed practices and procedures. Those conventions, rules, and procedures provide a standard by which to measure financial presentations.

~~((18))~~ (19) "Generally accepted auditing standards" (GAAS) are guidelines and procedures, promulgated by the AICPA, for conducting individual audits of historical financial statements.

~~((19))~~ (20) "Holding out" means any representation to the public by the use of restricted titles as set forth in RCW 18.04.345 by a person or firm that the person or firm holds a license or practice privileges under the act and that the person or firm offers to perform any professional services to the public as a licensee. "Holding out" shall not affect or limit a person or firm not required to hold a license under the act from engaging in practices identified in RCW 18.04.350.

~~((20))~~ (21) "Inactive" means the ~~((certificate is in an inactive status because a))~~ person ~~((, who))~~ held a valid certificate on June 30, 2001, has not met the current requirements of licensure and has been granted CPA-Inactive certificateholder status through the renewal process established by the board. A CPA-Inactive may not practice public accounting nor may the individual use the CPA-Inactive title if they are offering accounting, tax, tax consulting, management advisory, or similar services to the public.

~~((21))~~ (22) "Independence" means an absence of relationships that impair a licensee's impartiality and objectivity in rendering attest services.

~~((22))~~ (23) "Interactive self-study program" means a CPE program ~~((designed to use learning methodologies that simulate a classroom learning process by employing software or administrative systems that provide significant ongoing interactive feedback to learners regarding their learning progress))~~ that provides feedback throughout the course.

~~((23))~~ (24) "IRS" means Internal Revenue Service.

~~((24))~~ (25) "License" means a license to practice public accountancy issued to an individual ~~((under the act))~~ or a ~~((license issued to a))~~ firm under the act.

~~((25))~~ (26) "Licensee" means ~~((the holder of))~~ an individual or firm holding a valid license to practice public accountancy issued under the act.

~~((26))~~ (27) "Manager" means a manager of a limited liability company licensed as a firm under the act.

~~((27))~~ (28) "NASBA" means the National Association of State Boards of Accountancy.

~~((28))~~ (29) "Natural person" means a living, human being.

~~((29))~~ (30) "Nonlicensee owner" means a CPA firm owner who is not licensed in any state to practice public accountancy.

((+30+)) (31) "PCAOB" means Public Company Accounting Oversight Board.

((+31+)) (32) "Peer review" means a study, appraisal, or review of one or more aspects of the attest work of a licensee or licensed firm in the practice of public accountancy, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed, including a peer review, or any internal review or inspection intended to comply with quality control policies and procedures, but not including the "quality assurance review" under RCW 18.04.025(14).

((+32+)) (33) "Practice privileges" means an individual:

- Has a principal place of business outside of Washington state;

- Is licensed to practice public accounting in another state;
- Has notified the board of intent to enter the state;
- Meets the statutory criteria for a grant of privileges;
- Is subject to discipline in the state of Washington; and
- Must comply with the act and all board rules applicable to Washington state licensees to retain the privilege.

((+33+)) (34) "Principal place of business" means a single fixed location designated by the individual from which the individual directs, controls, and coordinates the majority of his or her business activities.

((+34+)) (35) "Public practice" or the "practice of public accounting" means performing or offering to perform by a person or firm holding itself out to the public as a licensee, or as an individual holding practice privileges, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of "audit reports," "review reports," or "compilation reports" on financial statements, or one or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters. The "practice of public accounting" shall not include practices that are permitted under the provisions of RCW 18.04.350(6) by persons or firms not required to be licensed under the act.

((+35+)) (36) "Quality assurance review or QAR" is the process, established by and conducted at the direction of the board, of study, appraisal, or review of one or more aspects of the attest work of a licensee or licensed firm in the practice of public accountancy, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed.

((+36+)) (37) "Reciprocity" means board recognition of licenses, permits, certificates or other ((professional)) public accounting credentials of another jurisdiction that the board will rely upon in full or partial satisfaction of licensing requirements.

((+37+)) (38) "Referral fees" see definition of "commissions and referral fees" in subsection ((+10+)) (11) of this section.

((+38+)) (39) "Reports on financial statements" means any reports or opinions prepared by licensees, based on services performed in accordance with generally accepted auditing standards,

standards for attestation engagements, or standards for accounting and review services, as to whether the presentation of information used for guidance in financial transactions or for accounting for or assessing the status or performance of (~~commercial and noncommercial enterprises~~) an entity, whether public, private, or governmental, conforms with generally accepted accounting principles or other comprehensive bases of accounting. "Reports on financial statements" does not include services referenced in RCW 18.04.350(6) provided by persons not holding a license under the act.

((+39)) (40) **"Representing oneself"** for the purposes of RCW 18.04.295(2) and WAC 4-25-910(3), means having a license, practice privilege, certificate or registration that entitles the holder to use the title "CPA," "CPA-Inactive," or be a nonlicensee firm owner.

((+40)) (41) **"Rules of professional conduct"** means rules adopted by the board to govern the conduct of CPAs and CPA firms while representing themselves to others as CPAs. These rules also govern the conduct of CPA-Inactive certificateholders, nonlicensee firm owners, and (~~all persons using the title CPA or CPA-Inactive~~) persons granted practice privileges pursuant to RCW 18.04.350(2).

((+41)) (42) **"SEC"** means the Securities and Exchange Commission.

((+42)) (43) **"State"** includes the states and territories of the United States, including the District of Columbia, Puerto Rico, Guam, and the United States Virgin Islands.

((+43)) (44) **"Statements on auditing standards (SAS)"** are interpretations of the generally accepted auditing standards and are issued by the Auditing Standards Board of the AICPA. Licensees are required to adhere to these standards in the performance of audits of financial statements.

((+44)) (45) **"Statements on standards for accounting and review services (SSARS)"** are standards, promulgated by the AICPA, to give guidance to licensees who are associated with the financial statements of nonpublic companies and issue compilation or review reports.

((+45)) (46) **"Statements on standards for attestation engagements (SSAE)"** are guidelines, promulgated by the AICPA, for use by licensees in attesting to assertions involving matters other than historical financial statements and for which no other standards exist.

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

WAC 4-25-510 What is the board's meeting schedule and how are officers elected? Regular board meetings begin at 9:00 a.m. on the last Friday of the month in the months of January, April(~~(7)~~) and July (~~(and October)~~). The board holds an annual meeting beginning at 9:00 a.m. on the (~~(second)~~) last Friday of (~~(December)~~) October.

The board consists of nine members. At the annual meeting the board elects the chair, vice-chair, and secretary from its members. The newly elected officers assume the duties of their offices (~~(at the conclusion of the meeting and)~~) on January 1 following the annual board meeting. Officers serve a term of one year(~~(- Officers)~~) and can be reelected for one additional term.

Either the chair or a quorum of the board has the authority to call meetings of the board. The chair presides at all meetings. In the event of the chair's absence or inability to act, the vice-chair presides. The board determines other duties of the officers.

The board's meetings are open public meetings conducted pursuant to chapter 42.30 RCW. WAC 4-25-521 provides information on how to contact the board's office for meeting times and locations or additional information regarding the board's activities.

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

WAC 4-25-540 What rules govern the proceedings before the board? Except where they are inconsistent with the rules in this chapter and subject to additional rules that the board may adopt from time to time, practice and procedure in and before the board are governed by the uniform procedural rules codified in the Washington Administrative Code, chapter 10-08 WAC.

For certain types of decisions, the board has adopted an appeal process authorized by RCW 34.05.482 through 34.05.494 which is called a brief adjudicative proceeding. Decisions to which this appeal process will be applied are:

(1) Denials of initial individual license applications, renewals, or applications for reinstatement;

(2) Denials of CPA-Inactive certificate renewals or applications for reinstatement;

(3) Denials of practice privilege;

(4) Denials of initial resident nonlicensee firm owner registration applications, renewals, or applications for reinstatement;

(5) Denials of initial firm license applications ~~((and))~~, renewals, and amendments;

(6) Denials of exam applications; and

(7) A determination whether a licensee ~~((or))~~, CPA-Inactive certificateholder, or registered nonlicensee firm owner has been certified by a lending agency and reported for nonpayment or default on a federally or state-guaranteed student loan or service conditional scholarship. To appeal a decision you must submit your request for a brief adjudicative proceeding, **in writing**, to the board **within thirty days** after the decision by board staff is posted in the U.S. mail. The presiding officer for the brief adjudicative proceedings is the executive director, or designee. After consulting with a board member, the executive director, or designee, renders a decision either upholding or overturning the decision by board staff. This decision, called an order, is mailed to you.

If you are dissatisfied with the order in the brief adjudicative proceeding, you may appeal to the board's vice-chair, or designee. This appeal process is called an administrative review. Your appeal must be received by the board, **orally or in writing, within twenty-one days** after the brief adjudicative proceedings order is posted in the U.S. mail. The vice-chair, or designee, considers your appeal and either upholds or overturns the brief adjudicative proceeding order. The vice-chair's, or designee's, decision, also called an order, is mailed to you.

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

WAC 4-25-550 Do I need to notify the board if I change my address? Yes. All CPAs, CPA-Inactive certificateholders, CPA firms licensed with the board, ((and)) individuals registered with the board as resident nonlicensee firm owners, and applicants must notify the board **in writing** within thirty days of any change of address. Firms must notify the board of any opening, closing, or relocation of the main office or a branch office.

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

WAC 4-25-551 Must I respond to inquiries from the board?

Yes. All CPAs, CPA-Inactive certificateholders, CPA firms licensed with the board, (~~and~~) individuals registered with the board as resident nonlicensee firm owners, and applicants must respond, **in writing**, to board communications requesting a response. Your response must be made within **twenty days of the date** the board's communication is posted in the U.S. mail. Communications from the board to you are directed to the last address you furnished the board.

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

WAC 4-25-610 Which rules govern the conduct of CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners? The rules that govern the conduct of CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners are as follows:

(1) Professional judgment - In carrying out their responsibilities, a person representing oneself as a CPA, CPA-Inactive certificateholder, or using the CPA or CPA-Inactive title, CPA firms, and firm owners must exercise professional judgment in all their activities.

(2) The public interest - A person representing oneself as a CPA, CPA-Inactive certificateholder, or using the CPA or CPA-Inactive title, CPA firms, and firm owners must accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism.

(3) Integrity - To maintain and broaden public confidence a person representing oneself as a CPA, CPA-Inactive certificateholder, or using the CPA or CPA-Inactive title, CPA firms, and firm owners must perform all professional responsibilities with the highest sense of honesty.

(4) Objectivity - Objectivity is to be maintained by a person representing oneself as a CPA, CPA-Inactive certificateholder, or using the CPA or CPA-Inactive title, CPA firms, and firm owners. Specifically, a person representing oneself as a CPA, CPA-Inactive, or using the CPA or CPA-Inactive title, CPA firms, and firm owners must:

~~((1))~~ **(a)** Avoid rendering professional services where actual or perceived conflicts of interest exist;

~~((2))~~ **(b)** Be independent in fact and appearance when providing attestation services.

(5) Due care - A person representing oneself as a CPA, CPA-Inactive certificateholder, or using the CPA or CPA-Inactive title, CPA firms, and firm owners must comply with federal and state laws and the profession's technical and ethical standards, maintain competence and strive to improve the quality of services, and discharge professional responsibility to the best of the person's or the firm's ability.

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

WAC 4-25-620 What are the requirements concerning integrity and objectivity? When offering or performing services, CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners must:

- Remain honest and objective;
- Not misrepresent facts;
- Not subordinate their judgment to others; and
- Remain free of conflicts of interest unless such conflicts are specifically permitted by board rule or professional standards listed in WAC 4-25-631.

If the language of the professional standards listed in WAC 4-25-631 differ from or conflict with specific board rules, board rules prevail.

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

WAC 4-25-626 What restrictions govern commissions, referral, and contingent fees? For the purposes of this section, the term "licensed firm" includes any affiliated (~~(entities)~~) entity(ies) and the term "firm owner" includes the owner(s) of any affiliated (~~(entities)~~) entity(ies).

(1) A CPA, CPA-Inactive certificateholder, a firm owner, or a licensed firm must not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission, when the CPA, CPA-Inactive certificateholder, the CPA's or CPA-Inactive certificateholder's firm, the owner's firm, or the firm performs attest services for that client. This prohibition applies during the period in which the CPA, CPA-Inactive certificateholder, the CPA's or CPA-Inactive certificateholder's firm, the owner's firm, or the firm is engaged to perform the attest services and the period covered by any historical financial statements involved in the attest services.

(2) A CPA, (~~(a)~~) CPA-Inactive certificateholder, licensed firm, or (~~(a)~~) firm owner who is not prohibited by this section from performing services for or receiving a commission and who is paid or expects to be paid a commission must disclose, consistent with the requirements set forth in subsection (7) of this section, that fact to any person or entity to whom the CPA, CPA-Inactive certificateholder, the CPA's or CPA-Inactive certificateholder's firm, the firm owner, the owner's firm, or the licensed firm recommends or refers a product or service to which the commission relates.

(3) A CPA, (~~(a)~~) CPA-Inactive certificateholder, firm owner, or (~~(a)~~) licensed firm accepting a referral fee for recommending or referring any services to any person or entity or who pays a referral fee to obtain a client must disclose, consistent with the requirements set forth in subsection (7) of this section, such acceptance or payment to the client.

(4) A CPA, (~~(a)~~) CPA-Inactive certificateholder, firm owner, or (~~(a)~~) licensed firm must not:

(a) Perform for a contingent fee any professional services for, or receive such a fee from a client for whom the CPA, CPA-Inactive certificateholder, the CPA's or CPA-Inactive certificateholder's firm, the firm owner, the owner's firm, or the licensed firm performs attest services; or

(b) Prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client.

(5) The prohibition in subsection (4)(a) of this section applies during the period in which the CPA, CPA-Inactive

certificateholder, the CPA's or CPA-Inactive certificateholder's firm, the owner's firm, or the licensed firm is engaged to perform the attest services and the period covered by any historical financial statements involved in the attest services.

(6) Fees are not considered contingent if fixed by courts or other public authorities, or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies. Fees may vary depending, for example, on the complexity of services rendered.

(7) All CPAs, CPA-Inactive certificateholders, firm owners, and licensed firms who accept commission, referral and contingent fee arrangements must:

(a) Disclose the arrangement in writing and in advance of client acceptance;

(b) Disclose the method of calculating the fee or amount of fee;

(c) Specify the CPA's, CPA-Inactive certificateholder's, or firm owner's role as the client's advisor; and

(d) Obtain the client's consent to the fee arrangement in writing.

(8) Nothing in this rule shall be interpreted to preclude a CPA, CPA-Inactive certificateholder, firm owner, or licensed firm from purchasing, selling, or merging all or a portion of a CPA practice or to require disclosure to clients of terms or payments made or received pursuant to the purchase, sale, or merger.

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

WAC 4-25-630 What are the requirements concerning competence?

CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners must not undertake to perform any service as a CPA, CPA-Inactive certificateholder, CPA firm, or as a firm owner unless they can reasonably expect to complete the service with professional competence.

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

WAC 4-25-631 With which rules, regulations and professional standards must a CPA, CPA-Inactive certificateholder, CPA firm, and firm owner comply? CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners must comply with rules, regulations, and professional standards promulgated by the appropriate bodies for each service undertaken. However, if the requirements found in the professional standards listed in this section differs from the requirements found in specific board rules, board rules prevail.

Such appropriate bodies include, but are not limited to, the Securities and Exchange Commission (SEC); the Public Company Accounting Oversight Board (PCAOB); the Financial Accounting Standards Board (FASB); the Governmental Accounting Standards Board (GASB); the Cost Accounting Standards Board (CASB); the Federal Accounting Standards Advisory Board (FASAB); the U.S. (~~General Accounting~~) Governmental Accountability Office (GAO); the Federal Office of Management and Budget (OMB); the Internal Revenue Service (IRS); the American Institute of Certified Public Accountants (AICPA), and federal, state, and local audit, regulatory and tax agencies.

Such standards include:

(1) Statements on Auditing Standards and related Auditing Interpretations issued by the AICPA;

(2) Statements on Standards for Accounting and Review Services and related Accounting and Review Services Interpretations issued by the AICPA;

(3) Statements on Governmental Accounting and Financial Reporting (~~(Services)~~) Standards issued by GASB;

(4) Statements on Standards for Attestation Engagements and related Attestation Engagements Interpretations issued by AICPA;

(5) Statements of Financial Accounting Standards(~~(7)~~) and Interpretations, and Staff Positions issued by FASB, together with those Accounting Research Bulletins and Accounting Principles Board Opinions which are not superseded by action of the FASB;

(6) Statement on Standards for Consulting Services issued by the AICPA;

(7) Statements on Quality Control Standards issued by the AICPA;

(8) Statements on Standards for Tax Services and Interpretation of Statements on Standards for Tax Services issued by the AICPA;

(9) Statements on Responsibilities in Personal Financial Planning Practice issued by the AICPA;

(10) Statements on Standards for Litigation Services issued by the AICPA;

(11) Professional Code of Conduct issued by the AICPA including interpretations and ethics rulings;
~~((+11))~~ (12) Governmental Auditing Standards issued by the U.S. ~~(General Accounting)~~ Governmental Accountability Office;
~~((+12))~~ (13) AICPA Industry Audit and Accounting Guides;
~~((and~~
~~+13))~~ (14) SEC Rules, Concept Releases, Interpretative Releases, and Policy Statements;
(15) Standards issued by the PCAOB; and
(16) IRS Circular 230.

If the professional services are governed by standards not included in subsections (1) through ~~((+13))~~ (16) of this section, you must:

- Justify the departure from the standards listed in subsections (1) through ~~((+13))~~ (16) of this section;
- Determine what standards are applicable; and
- Comply with the applicable standards.

Copies of the above standards may be inspected at the board's office.

AMENDATORY SECTION (Amending WSR 03-24-033, filed 11/25/03, effective 12/31/03)

WAC 4-25-640 What are the requirements concerning records and clients confidential information? (1) **Client:** 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) **Property of the licensee:** In the absence of an express agreement between the licensee and the client to the contrary, all statements, records, schedules, working papers, and memoranda made by a licensee incident to or in the course of professional service to clients, except reports submitted by a licensee, are the property of the licensee.

(3) **Sale or transfer of client records:** No statement, record, schedule, working paper, or memorandum, including electronic records, may be sold, transferred, or bequeathed without the consent of the client or his or her personal representative or assignee, to anyone other than one or more surviving partners, shareholders, or new partners or new shareholders of the licensee, partnership, limited liability company, or corporation, or any combined or merged partnership, limited liability company, or corporation, or successor in interest.

(4) **Confidential client communication or information:** A licensee, CPA-Inactive certificateholder, firm owner, or employee of a licensee 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, CPA-Inactive certificateholder's, firm owner's, or employee of a licensee's obligation to comply with a lawfully issued subpoena or summons;

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

(c) Preclude a licensee, CPA-Inactive certificateholder, firm owner, or employee of a licensee 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, CPA-Inactive certificateholder, firm owner, or employee of a licensee 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.

(5) **Client records:** Licensees, CPA-Inactive certificateholders, and firm owners must furnish to their client or heirs, successors or personal representatives, upon request and reasonable notice:

(a) A copy of the licensee's, CPA-Inactive certificateholder's or firm owner's records, schedules, and electronic documents, to the extent that such records and schedules 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, CPA-Inactive certificateholder, or firm owner removed from the client's premises or received for the client's account, including electronic documents; but the licensee, CPA-Inactive certificateholder, 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, CPA-Inactive certificateholder, or firm owner.

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

(6) **Audit and review record retention requirements:** For a period of seven years after a licensee concludes an audit or review the licensee must retain the following records and documents, including electronic records unless hard copies of such exist:

(a) Records forming the basis of the audit or review;

(b) Records documenting audit or review procedures applied;

(c) Records documenting evidence obtained including financial data, analyses, conclusions, and opinions related to the audit or review engagement; and

(d) Records documenting conclusions reached by the licensee in the audit or review engagement.

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

WAC 4-25-650 What acts are considered discreditable? CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners must not:

- Commit, or allow others to commit in their name, any act that reflects adversely on their fitness to represent themselves as a CPA, CPA-Inactive certificateholder, CPA firm, or a firm owner;
- Seek to obtain clients by the use of coercion, intimidation or harassing conduct; or
- Permit others to carry out on their behalf, either with or without compensation, acts which violate the rules of conduct.

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

WAC 4-25-660 What are the limitations on advertising and other forms of solicitation? (1) CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners must not make false, fraudulent, misleading, deceptive or unfair statements or claims regarding their services. Examples of such statements or claims include, but are not limited to, statements or claims which:

(a) Contain a misrepresentation of fact;
(b) Fail to make full disclosure of relevant facts;
(c) Imply your professional services are of an exceptional quality, which is not supported by verifiable facts;
(d) Create false expectations of favorable results;
(e) Imply educational or professional attainments, specialty designations, or licensing recognition not supported in fact; or
(f) Represent that professional services will be performed for a stated fee when this is not the case, or do not disclose variables that may reasonably be expected to affect the fees that will be charged.

(2) If you are a licensee using the CPA title to perform or solicit services via a website, you must either include a statement on the website that you hold a current Washington state license or provide a name and contact information for an individual in your organization who will respond to inquiries regarding individual license information within seven business days. The required information must be clearly visible and prominently displayed.

(3) If you are a CPA-Inactive certificateholder using the ~~((CPA or))~~ CPA-Inactive title to perform or solicit services via a website you must clearly, visibly, and prominently display the following on the website:
(a) That you hold a current Washington state CPA-Inactive certificate~~((-))~~;
(b) That you do not hold a license to practice public accounting~~((-))~~ ; and
(c) That Washington state law does not allow a ~~((certificateholder or a))~~ CPA-Inactive certificateholder to offer or provide accounting, auditing, attest, reports on financial statements, tax preparation or advisory, management advisory, consulting or similar services to the public in association with the use of the title "CPA," "Certified Public Accountant," "CPA-Inactive," or "Certified Public Accountant-Inactive."

~~((d) After your first renewal cycle, you must display the information that you are a "CPA-Inactive."))~~

(4) If you are a resident nonlicensee owner of a firm licensed by the board and you perform or solicit services in association with the firm via a website, you must clearly, visibly, and

prominently display a statement that you are a nonlicensee owner registered with the Washington state board of accountancy or provide a name and contact information for an individual in your organization who will respond to inquiries regarding registration information within seven business days.

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

WAC 4-25-661 What are the limitations regarding individual and firm names? A firm name that does not consist of the name(s) of one or more present or former owners must be approved in advance by the board as not being deceptive or misleading.

Misleading or deceptive firm names are prohibited. The following are examples of misleading firm names. The board does not intend this listing to be all inclusive. The firm name:

(1) Implies it is a legal entity when it is not such an entity (as by the use of the designations "P.C.," "P.S.," "Inc. P.S.," or "L.L.C.");

(2) Implies the existence of a partnership when one does not exist;

(3) Includes the name of a person who is neither a present nor a past owner of the firm; or

(4) Implies educational or professional attainments, specialty designations, or licensing recognition not supported in fact.

A licensee may not operate under an alias, a firm name, title, or "DBA" that differs from the firm name that is registered with the board. A CPA or a CPA-Inactive certificateholder may not use the title in association with a name that is not registered with the board.

AMENDATORY SECTION (Amending WSR 03-24-033, filed 11/25/03, effective 12/31/03)

WAC 4-25-670 What enforcement actions must be reported to the board? (1) A licensee, CPA-Inactive certificateholder, or nonlicensee firm owner must notify the board, on a form and in the manner prescribed by board policy, within **thirty days** of the issuance of:

(a) A sanction, order, suspension, revocation, or modification of a license, certificate, permit or practice rights by the SEC, PCAOB, IRS, or another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy; or

(b) Charges filed by the SEC, IRS, PCAOB, another state board of accountancy, or a federal or state taxing, insurance or securities regulatory body that the licensee, CPA-Inactive certificateholder, or nonlicensee firm owner committed a prohibited act that would be a violation of board ethical or technical standards.

(2) Sole practitioners are to report action pursuant to subsection (1) of this section taken against the sole practitioner, the sole practitioner's individual CPA license, the CPA firm, or the CPA firm license.

(3) Licensed CPA firms are not required to report on action taken against owners, principals, partners, or employees.

(4) If you hold a license or CPA-Inactive certificate issued through the foreign reciprocity provisions of the act, you must notify the board of any investigations undertaken, or sanctions imposed, by a foreign credentialing body against your foreign credential within thirty days of your receiving notice that an investigation has begun or a sanction was imposed.

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

WAC 4-25-710 What are the education requirements to qualify to apply for the CPA examination? (1) **Education requirements:** Effective July 1, 2000, to apply for the CPA examination you must have completed:

(a) At least one hundred fifty semester hours (two hundred twenty-five quarter hours) of college education, including

(b) A baccalaureate or higher degree; and
(c) An accounting concentration as defined as at least:

(i) Twenty-four semester hours (thirty-six quarter hours) or the equivalent in accounting subjects of which at least fifteen semester hours must be at the upper (~~(division)~~) level or graduate level (an upper (~~(division)~~) level course is defined as a course (~~(only available to students who have standing as a junior, senior, or graduate,)~~) that frequently carries completion of (~~(an elementary)~~) a lower level course(s) as a prerequisite (~~(for admission, and is usually designated as "upper division" by the school offering the course), and)~~). For the purposes of meeting this subsection, individuals will be given 1.5 credits for each 1.0 graduate level credit of accounting courses taken; and

(ii) Twenty-four semester hours (thirty-six quarter hours) or the equivalent in business administration subjects at the undergraduate or graduate level.

(d) The board will not recognize accounting concentration credits awarded for "life experience" or similar activities retroactively evaluated and recognized by colleges or universities.

This restriction is not intended to apply to internships prospectively approved by colleges or universities.

(2) One hundred eighty-day provision: If you expect to meet the education requirements of this section within one hundred (~~(twenty)~~) eighty days following the examination, you (~~(are)~~) will be eligible to take the CPA examination provided you submit, on a form provided by the board's designee, signed confirmation from the university that you are enrolled in stating that you will meet the board's education requirements within one hundred (~~(twenty)~~) eighty days following the day you first sit for any one section of the examination. (~~(If you are admitted to the examination on the expectation that you will complete the educational requirement within one hundred twenty days,)~~) If you apply for the exam using the one hundred eighty-day provision, then within two hundred ten days of first sitting for any section of the exam, you must provide the board complete documentation demonstrating that you met the board's education requirements within one hundred eighty days of first sitting for any one section of the exam. If you do not provide such documentation within the required two hundred ten-day

time period, your exam score(s) will not be released and you will not be given credit for ((the examination or)) any section(s) of the examination ((unless you demonstrate you meet the education requirements within one hundred twenty days of that sitting)). Applicants failing to provide such documentation must reapply as a first-time applicant.

((2)) (3) Education obtained outside the United States: If you obtained all or a portion of your education outside the United States you must have your education evaluated by a board approved foreign education credential evaluation service. The board will establish the criteria for board approval of foreign education credential evaluation services. The board will not provide education credential evaluation services.

((3)) (4) Semester versus quarter hours: As used in these rules, a "semester hour" means the conventional college semester hour. Your quarter hours will be converted to semester hours by multiplying them by two-thirds.

((4)) (5) Accreditation standards: For purposes of this rule, the board will recognize colleges and universities which are accredited in accordance with (a) through (c) of this subsection.

(a) ((An)) The accredited college or university ((is a four-year degree-granting college or university)) must be accredited at the time your ((degree)) education was ((received)) earned by virtue of membership in one of the following accrediting agencies:

- (i) Middle States Association of College and Secondary Schools;
- (ii) New England Association of Schools and Colleges;
- (iii) North Central Association of Colleges and Secondary Schools;
- (iv) Northwest Commission on Colleges and Universities (formerly the Northwest Association of Schools and Colleges);
- (v) Southern Association of Colleges and Schools;
- (vi) Western Association of Schools and Colleges; and
- (vii) Accrediting Commission for Independent Colleges and Schools, or its predecessor, the Accrediting Commission of the Association of Independent Colleges and Schools.

(b) If an institution was not accredited at the time your ((degree)) education was ((received)) earned but is so accredited at the time your application is filed with the board, the institution will be deemed to be accredited for the purpose of (a) of this subsection provided that it:

- (i) Certifies that your total educational program would qualify the applicant for graduation with a baccalaureate degree during the time the institution has been accredited; and
- (ii) Furnishes the board satisfactory proof, including college catalogue course numbers and descriptions, that the preaccrediting courses used to qualify you for a concentration in accounting are substantially equivalent to postaccrediting courses.

(c) If your degree was received at an accredited college or university as defined by (a) or (b) of this subsection, but the educational program which was used to qualify you for a concentration in accounting included courses taken at nonaccredited

institutions, either before or after graduation, such courses will be deemed to have been taken at the accredited institution from which your degree was received, provided the accredited institution either:

(i) Has accepted such courses by including them in its official transcript; or

(ii) Certifies to the board that it will accept such courses for credit toward graduation.

~~((+5+))~~ **(6) Alternative to accreditation:** If you graduated from a four-year degree-granting institution that was not accredited at the time your degree was received or at the time your application was filed, you will be deemed to be a graduate of a four-year accredited college or university if a credentials evaluation service approved by the board certifies that your degree is equivalent to a degree from an accredited college or university as defined in subsection ~~((+4+))~~ **(5)** of this section. The board does not provide education credential evaluation services.

AMENDATORY SECTION (Amending WSR 03-17-041, filed 8/15/03, effective 9/30/03)

WAC 4-25-720 How do I apply to take the CPA examination? (1)

Application form and due dates:

~~((a) For examinations held prior to January 1, 2004:~~

~~(i) Your application to take the CPA examination must be made on a form provided by the board's designee and filed with the board's designee on or before March 1 for the May examination and September 1 for the November examination. Applications, including all required documentation, for the May examination must be postmarked by March 1 (and received by March 10). Applications, including all required documentation, for the November examination must be postmarked by September 1 (and received by September 10). An application is not considered filed until the board's designee has received the examination fee.~~

~~(ii) Proctoring CPA exam candidates: The board may agree to request the assistance of another accountancy board in proctoring Washington's applicants at out-of-state exam sites and may agree to proctor another accountancy board's applicants at a Washington exam site, both subject to space and staffing constraints. The board will not arrange for out-of-state proctoring for applicants domiciled out-of-state who wish to take the uniform CPA exam as Washington candidates. Such applicants must take the CPA exam in Washington on a space available basis.~~

~~(b) For examinations held after December 31, 2003:)) Your application to take the CPA examination must be made on a form provided by the board's designee and filed with the board's designee by the due date specified by the board on the application form. Applicants must submit all required documents to complete their application within sixty days of the date their application is received by the board's designee. Applicants are responsible for submitting all required documentation, application forms, and fees. Your application is not considered ~~((filed))~~ complete until all of the following are received by the board's designee:~~

- A fully completed application form;
- Fee(s);
- Proof that you have met the education requirements;
- Your proof of identity as determined by the board and specified on the application form;
- Other required supporting documents; and
- Proof from NASBA's National Candidate Data Base that you have not previously taken, or applied to take, the same section(s) of the exam during the current examination ((period)) window.

(2) ~~((Failure to attend the exam:))~~ Fee refund and forfeiture: Upon submission of your application to the board's designee, no portion of the administrative fee is refundable. Upon

the board's submission of your authorization to test to the National Association of State Boards of Accountancy, no portion of the total exam fee (both administrative fee and section fee(s)) is refundable. If you fail to ((appear for examination)) meet the board's scheduling or admission requirements, you forfeit ((the fees charged for examination)) all of the exam fee(s) and you must reapply to take the section(s) of the exam.

(3) Notice of admittance to the examination or denial of your application:

~~((a) For examinations held prior to January 1, 2004: Notice of the denial of your application, or notice of your admittance to the examination along with the time and place of the examination, will be mailed to you at least ten days prior to the date set for the examination.~~

~~(b) For examinations held after December 31, 2003:)) Notice of the denial of your application, or notice of your eligibility to take the examination will be ((mailed)) sent to you by the board's designee. You will contact the ((board's designee or the)) approved test site to schedule the time and location for your examination. ((Your)) The notice of eligibility to take the examination is called a Notice to Schedule (NTS), the NTS will be valid for one taking of the examination within the six months following the date of ((your notice of eligibility to take the examination)) the NTS.~~

(4) Examination content: The CPA examination shall test the knowledge and skills required for performance as an entry-level certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the board may require. The examination will consist of the following four sections: Auditing and attestation; financial, accounting and reporting; regulation; and business environment and concepts.

(5) Examination, grading and conditioning:

(a) For examinations held prior to January 1, 2004: The board uses all parts of the uniform CPA examination and the advisory grading services of the American Institute of Certified Public Accountants. Seventy-five or better is a passing grade for each section of the examination. Each time you sit for the examination you must take all sections you have not previously passed. You are required to pass all sections of the examination in order to qualify for a license. If at a given sitting of the examination you pass two or more, but not all sections of the examination, then you will receive credit for those sections that you pass and you will not be required to take those sections again provided:

(i) You took all unpassed sections of the examination at that sitting;

(ii) You attained a minimum grade of fifty on each section of the examination not passed at that sitting;

(iii) You pass the remaining sections of the examination within six consecutive examinations given after the one at which the first sections were passed;

(iv) At each subsequent sitting you take all sections not yet

passed and you attain a minimum grade of fifty on those sections taken but not passed at that sitting; and

(v) In order to receive credit for passing additional sections in a subsequent sitting you attain a minimum grade of fifty on sections taken but not passed at that sitting.

(b) **For examinations held after December 31, 2003:** The board uses all parts of the uniform CPA examination and the advisory grading services of the American Institute of Certified Public Accountants.

(i) To qualify to apply for a license you must attain (~~the national uniform passing grade, approved by the board by policy,~~) a score of seventy-five on all four sections of the examination.

(ii) You may take the required four sections individually and in any order. Credit for any section(s) taken and passed after December 31, 2003, will be valid for eighteen months from the actual date you took the passed section, without having to attain a minimum score on any failed section(s) and without regard to whether you have taken other sections.

(iii) You must pass all four sections of the examination within a rolling eighteen-month period, which begins on the date that the first section(s) is passed. When determining the date that a section is passed the date that is used is the date that you took the exam section and not the date that your grade(s) is released.

(iv) You may not retake a failed section(s) in the same examination window. An examination window refers to a three-month period in which candidates have an opportunity to take the examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed).

(v) In the event you do not pass all four sections of the examination within the rolling eighteen-month period, credit for any section(s) passed prior to the eighteen-month period will expire and you must retake that section(s).

(c) **Transitioning for candidates obtaining conditional credits under the provisions of (a) of this subsection:**

(i) If you earned conditional credit(s) under the provisions of (a) of this subsection and as of February 15, 2004, those conditional credits remained valid under the provisions of (a) of this subsection, you will retain conditional credit for the corresponding sections of the examination as follows:

Examination section taken prior to January 1, 2004	Examination section taken after December 31, 2003
Auditing	Auditing and Attestation
Financial Accounting and Reporting (FARE)	Financial Accounting and Reporting
Accounting and Reporting (ARE)	Regulation

Examination section taken prior to January 1, 2004	Examination section taken after December 31, 2003
Business Law and Professional Responsibilities (LPR)	Business Environment and Concepts

(ii) If you qualify for conditional credit(s) for a section of the examination under (c)(i) of this subsection, you will lose the conditional credit(s) for the section unless you complete all remaining section(s) of the examination within the transition period which is the lesser of:

- The maximum number of testing opportunities that you had remaining to complete all sections of the examination under the provisions of (a) of this subsection; or

- The number of remaining testing opportunities you had remaining to complete all sections of the examination under the provisions of (a) of this subsection multiplied by six months.

(iii) If you do not pass all remaining sections during the transition period, the conditional credit for the section(s) you passed under the provision of (a) of this subsection will become invalid. Any section you pass after December 31, 2003, will be subject to the provisions of (b) of this subsection with the following exception:

- You will not lose conditional credit for any section passed during the transition period, even though more than eighteen months may have elapsed from the date the section is passed, until the end of your transition period.

(iv) You will retain credit for any and all sections of an examination passed in another state if credit would have been given under the Washington state requirements in effect on the date you took the examination.

(v) If you pass a section of the examination, the date you took the section of the examination is the date you receive credit for passing the section.

(6) **Ethics exam:** Upon passing the CPA examination, applicants for licensure are required to attain and demonstrate a passing grade of ninety percent or better on the AICPA professional code of conduct examination.

AMENDATORY SECTION (Amending WSR 03-17-042, filed 8/15/03, effective 9/30/03)

WAC 4-25-721 What does the board consider to be cheating on the CPA examination, what actions may the board take if cheating is suspected, and what sanctions may the board impose if cheating occurs? (1) Cheating includes, but is not limited to:

(a) Unauthorized communication with others inside or outside of the examination room while the examination is in progress;

(b) Substitution by a candidate of another person to sit in the test site and take the examination on behalf of the candidate;

(c) Referencing crib sheets, text books, or other unauthorized material or electronic media inside or outside the examination room while the examination is in progress;

(d) Copying or attempting to copy another candidate's answers;

(e) Disclosing or attempting to disclose examination questions and/or answers to others;

(f) Bringing unauthorized prohibited items into the examination site or possessing unauthorized prohibited items in the examination site;

(g) Retaking or attempting to retake a section by an individual who holds a license or who has unexpired credit for passing the section, unless the individual has been expressly authorized by the board to participate in a "secret shopper" program.

(2) Cheating on the CPA examination is dishonesty directly related to the professional responsibilities of a CPA and demonstrates a lack of good character. When determining appropriate sanctions for cheating, the board may impose one or more of the following penalties:

(a) Enter a failing grade for any or all parts of the candidate's examination;

(b) Bar a candidate from taking future examinations; ((or))

(c) Notify other jurisdictions of the board's conclusions and order;

(d) Fine up to thirty thousand dollars;

(e) Recovery of investigative and legal costs; or

(f) Referral to the appropriate law enforcement agency(ies) for prosecution.

(3) If a candidate is suspected of cheating, the board or its representative(s) may expel the candidate from the examination or move the candidate suspected of cheating to a position in the test center that is away from other examinees or where the candidate may be more closely observed. The board or its representatives may require a candidate suspected of cheating, or a candidate who may have observed cheating, to respond to board inquiry. The board may schedule a hearing to determine the validity of the charge of

cheating.

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

WAC 4-25-730 What are the experience requirements in order to obtain a CPA license? Qualifying experience may be obtained through the practice of public accounting and/or employment in industry, academia, or government. Your experience may be obtained through one or more employers, with or without compensation, and may consist of a combination of full-time and part-time employment.

(1) Your experience must support the attainment of the competencies defined by subsection (2) of this section and:

(a) Cover a minimum twelve-month period (this time period does not need to be consecutive);

(b) Consist of a minimum of two thousand hours;

(c) Be obtained through the use of accounting, attest, management advisory, financial advisory, tax, tax advisory or consulting skills;

(d) Be verified by a licensed CPA as meeting the requirements identified in subsection (3) of this section; and

(e) Unless you meet the requirements of subsection (4) of this section, be obtained no more than eight years prior to the date the board receives your complete license application.

(2) **Competencies:** The experience must support the attainment of the following competencies:

(a) Understand the rules of professional conduct contained in chapter 4-25 WAC;

(b) Assess the achievement of an entity's objectives;

(c) Develop documentation and sufficient data to support analysis and conclusions;

(d) Understand transaction streams and information systems;

(e) Assess risk and design appropriate procedures;

(f) Make decisions, solve problems, and think critically in the context of analysis; and

(g) Communicate scope of work, findings and conclusions effectively.

(3) **Verifying CPA:** To verify ~~((that the))~~ a candidate's ~~((has had))~~ experience ~~((supporting the attainment of the competencies,))~~ you must have held a valid CPA license to practice public accounting in Washington or another jurisdiction on the date that you verified the candidate's experience and also for a minimum of five years prior to verifying the candidate's experience ~~((+))~~. The five years do not need to be consecutive~~((+))~~.

(4) **CPA-Inactive certificateholders applying for a license:** If you held a Washington state certificate on June 30, 2001, and you submit your application for a license by June 30, ~~((2004))~~ 2006, you may include experience obtained at any time during your lifetime.

(5) **Experience affidavit:** (~~Both you and the CPA~~) The applicant must verify that ((you)) they have met the experience requirements of this section on the appropriate form(s) provided by the board. The verifying CPA must certify that the applicant's experience meets subsection (2) of this section.

(6) **Records retention:** Candidates must maintain documentation supporting the representations made on their experience affidavit for a minimum of three years after the date the candidate's initial license is issued by the board.

(7) **Audit:** The board may audit compliance with these experience requirements at any time during the three-year period following the date the candidate's initial license is issued.

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

WAC 4-25-735 (~~What rules must a certificateholder comply with and~~) **How does a CPA-Inactive certificateholder apply for licensure?** CPA-Inactive certificateholders are natural persons who held a valid certificate on June 30, 2001, but did not hold a valid Washington state license to practice public accounting on that date. (~~Licensees and~~) Individuals who did not hold a valid certificate on June 30, 2001(~~(7)~~) and licensees are not eligible for CPA-Inactive certificateholder status.

(1) If you are a CPA-Inactive certificateholder you:

(a) May not "practice public accounting" as that term is defined in WAC 4-25-410(~~(31)~~);

(b) Must meet the CPE requirements of WAC 4-25-830(1) and supporting documentation requirements of WAC 4-25-833;

(c) Must comply with the act and board rules;

(d) Must meet the renewal requirements of WAC 4-25-790; and

(e) (~~May~~) Must use the title (~~CPA within the limitations of WAC 4-25-410(31) except, beginning with the first day of your first renewal period beginning after July 1, 2001, you must~~) CPA-Inactive and print or display the word "Inactive" immediately following the initials CPA (~~(title)~~) or certified public accountant whenever the initials CPA (~~(title)~~) or certified public accountant is printed on a business card, letterhead, or other document including documents published or transmitted through electronic media, in exactly the same font and font size as the initials CPA (~~(title)~~) or certified public accountant.

(2) If you are a CPA-Inactive certificateholder, to qualify for licensure you must:

(a) Meet the experience requirements of WAC 4-25-730 or have had an approved experience affidavit on file with the board on or before June 30, 2001; and

(b) Meet the CPE requirements of WAC 4-25-830(5).

(3) To apply for a license you must use the form(s) provided by the board. An application 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. To apply for a license, you must submit to the board:

(a) A complete application form(s) including your certification, under the penalty of perjury, that you have:

(i) Not held out in public practice during the time in which you were a CPA-Inactive certificateholder; and

(ii) Met the CPE requirements in WAC 4-25-830(5); and

(b) (~~All applicable fees, and~~

~~(c)~~) Other required documentation, required information, and

other documentation deemed necessary by the board.

(4) Upon approval of your application, your license will be mailed to the last address you provided to the board. Your CPE reporting period and your renewal cycle will remain the same. You may not (~~(practice public accounting in association with)~~) use the title "CPA" or "Certified Public Accountant" until you receive notice from the board that your (~~(Washington state CPA)~~) license has been granted. 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 provided in a (~~(licensed)~~) CPA firm licensed by the board 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 4-25-745 How do I apply for an initial CPA license? To qualify to apply for an initial license you must meet the:

- (1) Good character requirements of RCW 18.04.105 (1)(a);
- (2) Education requirements of WAC 4-25-710;
- (3) Examination requirements of WAC 4-25-720;
- (4) Experience requirements of WAC 4-25-730; and
- (5) If more than four years have lapsed since you passed the examination, you must meet the CPE requirements of WAC 4-25-830 (1)(a) within the thirty-six month period immediately preceding submission of your license application and must include four CPE hours in ethics meeting the requirements of WAC 4-25-830(3) which must be completed within the six month period immediately preceding submission of your license application.

To apply for an initial license you must use the application form(s) provided by the board. You must fully complete the form(s) and submit the form(s), all applicable fees, and all required documentation to the board's office.

An initial application is not complete and cannot be processed until all fees, required information, required documentation or other documentation or information the board may deem necessary is 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 initial license will expire on June 30 of the third calendar year following initial licensure.

You may not use the title CPA until you receive notice from the board that your Washington state CPA 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 provided in a ((licensed)) CPA firm licensed by the board 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 4-25-746 How do I apply for a Washington state CPA license if I hold a valid CPA license in another state? Pursuant to RCW 18.04.180 and 18.04.215(6) the board may issue a license through interstate reciprocity if you hold a CPA license to practice public accounting issued by another state provided your state of licensure makes similar provisions for granting reciprocity to holders of a valid certificate or license in this state.

To qualify to apply for a Washington state CPA license under the interstate reciprocity provisions you must:

(1) Meet the good character requirements of RCW 18.04.105

(1) (a);

(2) Meet the CPE requirements in WAC 4-25-830; and

(3) You must have:

(a) Passed the examination required for issuance of your certificate or license in the other state with grades that would have been passing grades at that time in this state and:

(i) Met all current requirements for licensure at the time you apply; or

(ii) Met, at the time of the issuance of your license in the other state, all the requirements applicable at that time to obtain a license in this state; or

(iii) Had five years of experience in the practice of public accountancy within the ten years immediately preceding your filing an application for licensure in this state; or

(iv) Had three years of experience in the practice of public accountancy within the five years immediately preceding your filing an application for licensure in this state; or

(b) The board may accept NASBA's designation of the applicant as substantially equivalent to national standards as meeting the requirements of (a) of this subsection.

To apply for a Washington state CPA license under the interstate reciprocity provisions you must use the application form(s) provided by the board. You must fully complete the form(s) and submit the form(s), all applicable fees, and all required documentation to the board's office.

An application is not complete and cannot be processed until all fees, required information, required documentation, or other documentation or information the board may deem necessary is received by the board. When the processing of your application is complete, notification 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.

Provided no sanctions or investigations by other jurisdictions are in process and you have met the requirements for applying for licensure through interstate reciprocity, upon filing a completed application with the board, you may use the CPA title in Washington state.

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 provided in a ((licensed)) CPA firm licensed by the board and meeting the requirements of WAC 4-25-750.

If you are granted a license under these reciprocity provisions, you must notify the board within thirty days if your license or certificate issued by the other jurisdiction has lapsed or otherwise become invalid.

AMENDATORY SECTION (Amending WSR 03-24-033, filed 11/25/03, effective 12/31/03)

WAC 4-25-750 What are the CPA firm licensing requirements?
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 ((in Washington)) by the board and meeting the requirements of this section. An entity wishing to use "CPA(s)" or "certified public accountant(s)" in the firm name must first obtain a license from the board.

(1) **How may a CPA firm be organized?** A CPA firm may be organized as:

- (a) A proprietorship;
- (b) A partnership;
- (c) A professional corporation (PC) or professional service corporation (PS);
- (d) A limited liability company (LLC);
- (e) A limited liability partnership (LLP); or
- (f) Any other form of legal entity authorized by statute for use by a CPA firm.

(2) **What happens when a CPA firm alters its legal form?** A change in the legal form of a firm constitutes a new firm. Accordingly, the new entity must first obtain a CPA firm license from the board.

(3) **What are the ownership requirements for a CPA firm?**

- (a) All owners of a licensed CPA firm are required to:
 - (i) Be natural persons;
 - (ii) Fully comply with the provisions of chapter 18.04 RCW;

and
(iii) Subject to discipline by the board for violations of chapter 18.04 RCW or 4-25 WAC;

(b) A simple majority of the ownership of the licensed firm in terms of financial interests and voting rights of all partners, owners, or shareholders must be:

- (i) Licensees in this state or holders of a valid license to practice public accountancy issued by another state;
- (ii) Entitled to practice public accounting in ((this)) Washington state; and
- (iii) Principally employed by the corporation or actively engaged in its business.

(c) At least one general partner of a partnership, one shareholder of a corporation, and one manager of a limited liability company must be a licensee.

(d) Each CPA proprietor, partner, shareholder or manager who is either a resident or is entering the state and practicing public accountancy in this state must hold a valid Washington state

license or practice privileges.

(e) The principal partner of the partnership and any partner having authority over issuing reports on financial statements must be a licensee under the act or holder of a valid license to practice public accountancy issued by another state and must be entitled to practice public accounting in this state.

(f) The principal officer of the corporation and any officer or director having authority over issuing reports on financial statements must be a licensee under the act or holder of a valid license to practice public accountancy issued by another state and must be entitled to practice public accountancy in this state.

(g) The principal manager or member of a limited liability company and any member having authority over issuing reports on financial statements must be a licensee under the act or holder of a valid license to practice public accountancy issued by another state and must be entitled to practice public accountancy in this state.

(h) A nonresident CPA owner must be licensed to practice public accountancy in at least one state.

(i) A nonlicensee owner must:

(i) Be a natural person;

(ii) Meet the good character requirements of RCW 18.04.105 (1) (a);

(iii) Comply with the act and board rules; and

(iv) Be an active individual participant in the licensed firm or affiliated entities as these terms are defined in WAC 4-25-410; and

(j) A resident nonlicensee firm owner must meet the requirements of WAC 4-25-752 and register with the board concurrent with submission of the firm license, or submission of an amendment to the firm license, to the board.

(4) What are the requirements for the firm's main office and a branch office? The firm's main office must be under the direct supervision of a resident licensee.

A branch office is an office of a licensed CPA firm which is physically separated from the main office. A branch office operates under the CPA firm license of the main office.

(5) How do I apply for an initial CPA firm license? To apply for an initial CPA firm license you must use the application form(s) provided by the board and submit the completed form(s), all applicable fees, all required documentation including the following to the board's office:

(a) The firm name;

(b) Address and telephone number of the main office and any branch offices of the firm;

(c) Name of the managing licensee of the main office;

(d) Licensee owners' names and the states in which they hold CPA licenses;

(e) Name(s) of all nonlicensee owners;

(f) Complete registration form(s), including the appropriate fee, for each resident nonlicensee owner; and

(g) ~~(Names of corporate directors, limited liability company~~

~~managers, and all officers, and~~

(h)) Type of legal organization under which the firm operates.

An application is not complete and cannot be processed until all fees, required information, and required documentation is received by the board. Upon completion of processing, a CPA firm license will be mailed to the main office at the last address provided to the board.

The initial CPA firm license will expire on June 30 of the third calendar year following initial licensure.

(6) **How do I renew a CPA firm license?** To renew a CPA firm license you must use the form(s) provided by the board. In January of the year of expiration, a renewal form(s) will be mailed to the main office at the last address provided to the board. You must submit a properly completed renewal form(s), all applicable fees and all required documentation to the board by April 30th of the year of expiration. Failure to file a complete renewal form for a firm license by April 30 of the year of expiration will result in late fees. The board may waive, reduce, or extend the due date of renewal and/or late fees based on individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment. A renewal application is not complete and cannot be processed until all fees, required information, and required documentation is received by the board. Upon completion of processing, the CPA firm license will be mailed to the main office at the last address provided to the board.

The CPA firm license will expire on June 30 of the third calendar year following the date of renewal.

(7) **When must I notify the board of changes in the CPA firm?** A CPA firm must provide the board written notification of the following within ninety days of its occurrence:

- (a) Dissolution of a CPA firm;
- (b) The occurrence of any event that would cause the firm to be in violation of RCW 18.04.195 or this rule; or
- (c) An event that requires an amendment to a firm license.

(8) **What events require a firm amendment?** A CPA firm must provide written notification to the board, by submitting a firm amendment form and the appropriate amendment fee, within ninety days of the following events' occurrence:

- (a) Admission or departure of an owner;
- (b) Any change in the name of the firm; or
- (c) Change in the managing licensee of the main office (~~and~~
- (d) ~~Opening, closing, or relocating of the main office or of any branch office~~).

(9) **How long do I have to correct noncompliance with licensure requirements due to a change in ownership or an owner's credentials?** A CPA firm must notify the board within ninety days of any change in ownership or lapse of an owner's license, certificate, registration or practice privilege that has caused the firm's license to be out of compliance with licensure requirements and must correct the noncompliance within ninety days of the lapse, unless the board grants a longer time period due to individual

hardship including, but not limited to, financial hardship,
critical illness, or active military deployment.

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

WAC 4-25-783 How do I renew a Washington CPA-Inactive certificate and/or license granted through foreign reciprocity? In January of the year of expiration, a renewal form will be mailed to the last address you provided to the board.

To renew your individual license or CPA-Inactive certificate originally granted through foreign reciprocity, you must submit to the board by April 30th of the year of expiration:

- (1) A completed renewal application form including:
 - (a) Your certification that you have complied with the CPE requirements of WAC 4-25-830(1) and the supporting documentation requirements of WAC 4-25-833; and
 - (b) Documentation from the foreign issuing body certifying:
 - (i) Your foreign credential is in good standing and valid for the practice of public accountancy in the foreign jurisdiction; and
 - (ii) You are not currently under disciplinary investigation or action; or
 - (iii) If you are currently under disciplinary investigation or action, a statement as to the nature of the allegations; and
 - (c) If you no longer hold the foreign credential used to qualify for a Washington state CPA license and/or certificate, you must submit documentation from the foreign issuing body certifying that you were not the subject of any investigations or disciplinary proceedings at the time the foreign credential lapsed.
- (2) All applicable fees; and
- (3) All required documentation.

A renewal application is not complete and cannot be processed until all fees, required information, required documentation, or other documentation deemed necessary by the board is received by the board. Upon completion of processing, your individual license or confirmation of your CPA-Inactive certificate renewal will be mailed to the last address you provided to the board.

An individual license or CPA-Inactive certificate renewal expires on June 30 of the third calendar year following the renewal.

Failure to file a complete application for an individual license or CPA-Inactive certificate renewal by April 30 of the year of expiration will result in late fees. The board may waive, reduce, or extend the due date of renewal and/or late fees based on individual hardship.

If you fail to file a complete application for individual license or CPA-Inactive certificate renewal by June 30 of the year of expiration, your individual license or CPA-Inactive certificate will lapse.

If you are a CPA-Inactive certificateholder and are renewing

your CPA-Inactive certificate, (~~beginning with the first day of your first renewal period beginning after July 1, 2001,~~) as a CPA-Inactive you are prohibited from using the title CPA or certified public accountant. You are prohibited from practicing public accountancy. You must use the title CPA-Inactive and print or display the word "Inactive" immediately following the title CPA (~~title~~) or certified public accountant whenever the initials CPA (~~title~~) or certified public accountant is printed on a business card, letterhead, or other document including documents published or transmitted through electronic media, in exactly the same font and font size as the title CPA (~~title~~) or certified public accountant.

If your individual license or CPA-Inactive certificate has lapsed, you may not use the title CPA or CPA-Inactive.

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

WAC 4-25-790 How do I renew my individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner? To renew your individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner, you must use the form(s) provided by the board and satisfy CPE requirements in WAC 4-25-830(1). In January of the year of expiration, a renewal form will be mailed to the last address you provided to the board.

To renew your individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner, you must submit to the board by April 30th of the year of expiration:

(1) A complete renewal form including:

(a) Your certification that you have complied with the CPE requirements of WAC 4-25-830(1) and the supporting documentation requirements of WAC 4-25-833; and

(b) A listing of all states and foreign jurisdictions in which you hold or have applied for a license, certificate, or permit to practice;

(2) All applicable fees; and

(3) All required documentation, required information, and other documentation deemed necessary by the board.

A licensee may not renew as a CPA-Inactive certificateholder.

A renewal form is not complete and cannot be processed until all fees, required information, required documentation, and other documentation deemed necessary by the board are received by the board. Upon completion of processing, confirmation of your individual license, CPA-Inactive certificate renewal, or registration as a resident nonlicensee firm owner will be mailed to the last address you provided to the board.

An individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner renewal expires on June 30 of the third calendar year following the renewal.

Failure to file a complete renewal form for an individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner by April 30 of the year of expiration will result in late fees. The board may waive, reduce, or extend the due date of renewal and/or late fees based on individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment.

If you fail to file a complete renewal form for an individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner by June 30 of the year of expiration your individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner will lapse.

If your individual license (~~(or certificate)~~) has lapsed, you may not use the title CPA (~~(or CPA-Inactive,~~) or exercise other privileges that are dependent upon the renewal(~~(, including privileges pertaining to ownership of a CPA firm)~~) of the license.

If your CPA-Inactive certificate has lapsed, you may not use the title CPA-Inactive or exercise other privileges that are dependent upon the renewal of the certificate.

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

WAC 4-25-791 I am a CPA-Inactive certificateholder. Prior to July 1, 2001, I held a license. How do I apply to return to my previous status as a licensee? CPA-Inactive certificateholders who held a license at any time prior to July 1, 2001, may apply to return to their previous status as a licensee. If you are a CPA-Inactive certificateholder, you may not (~~practice public accounting in association with~~) use the title "CPA" or "Certified Public Accountant" until you return to your previous status as a licensee.

If you hold a valid CPA-Inactive certificate, to apply to return to your previously held status as a licensee, you must use the form provided by the board and satisfy CPE requirements in WAC 4-25-830(5). An application is not complete and cannot be processed until all required information, required documentation, and other documentation deemed necessary by the board are received by the board.

To apply to return to your previous status as a licensee you must submit to the board:

- (1) A complete application form including your certification, under the penalty of perjury, that you have:
 - (a) Not held out in public practice during the time in which you were a CPA-Inactive certificateholder; and
 - (b) Met the CPE requirements of WAC 4-25-830(5);
- (2) Other required documentation, required information, and other documentation deemed necessary by the board.

Upon approval of your application, your license will be mailed to the last address you provided to the board.

You may not (~~hold out in public practice~~) use the title CPA until you receive notice from the board that your (~~Washington state~~) CPA 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, a licensee may only offer to provide attest services in a licensed CPA firm meeting the requirements of WAC 4-25-750.

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

WAC 4-25-792 How do I reinstate a lapsed individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner? If your individual license or CPA-Inactive certificate has lapsed, you may not use the title CPA or CPA-Inactive until your individual license or CPA-Inactive certificate is reinstated by the board.

Individuals who held a valid license on June 30, 2001, and individuals obtaining a license after June 30, 2001, are not eligible to reinstate as CPA-Inactive certificateholders.

If your registration as a resident nonlicensee firm owner has lapsed, you may not be an owner of a CPA firm until your registration is reinstated by the board.

To reinstate a lapsed individual license, CPA-Inactive certificate, or registration as a nonlicensee firm owner you must use the form provided by the board and satisfy CPE requirements in WAC 4-25-830(6). An application is not complete and cannot be processed until all fees, required information, required documentation, and other documentation deemed necessary by the board are received by the board.

To reinstate, you must submit to the board:

(1) A complete reinstatement form including your certification, under the penalty of perjury, that you have:

(a) *For those who wish to reinstate a license or CPA-Inactive certificate:* Not used the title CPA or CPA-Inactive during the time in which your individual license or CPA-Inactive certificate was lapsed; or

(b) *For those who wish to reinstate a registration as a resident nonlicensee firm owner:* Not participated as an owner in a CPA firm during the time in which your registration as a resident nonlicensee firm owner was suspended or revoked; and

(c) Met the CPE requirements for reinstatement in WAC 4-25-830(6); and

(d) Met the CPE supporting documentation requirements in WAC 4-25-833;

(2) Source documents as evidence of eligibility for CPE credit for all courses claimed in order to meet CPE requirements as defined by WAC 4-25-833;

(3) A listing of all states and foreign jurisdictions in which you hold or have applied for a license, certificate, or practice privileges;

(4) All applicable fees; and

(5) Other required documents, required information, and other documentation deemed necessary by the board.

Upon approval of your reinstatement, ((✖)) notice that your

license, registration as a resident nonlicensee firm owner, or CPA-Inactive certification has been reinstated will be mailed to the last address you provided to the board. Your license, CPA-Inactive certificate, or registration as a nonlicensee firm owner will expire on June 30th of the third calendar year following approval of the reinstatement. The CPE reporting period for your next renewal begins on January 1 of the calendar year in which the reinstatement of your license, CPA-Inactive certificate, or registration as a nonlicensee firm owner was approved by the board and ends on December 31 of the second calendar year following approval of the reinstatement. CPE credit hours utilized to qualify for reinstatement cannot be utilized for this CPE reporting period.

You may not use the title CPA or CPA-Inactive until your reinstatement application 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 performed in a CPA firm licensed by the board 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 4-25-793 If I (~~am retired~~) retire my license or CPA-Inactive certificate, how do I apply to return to my previous status as a licensee or a CPA-Inactive certificateholder? If you notified the board that you (~~are retired~~) wish to retire your license or CPA-Inactive certificate prior to the end of your renewal cycle, pursuant to RCW 18.04.215(7), you may renew your license or CPA-Inactive certificate at a later date and are not subject to the requirements of reinstatement; however, you may not use the title CPA or CPA-Inactive or exercise the privileges related to those titles until you return to your previous status.

To apply to return to your previously held status as either a licensee or a CPA-Inactive certificateholder you must use the form(s) provided by the board and satisfy CPE requirements in WAC 4-25-830(4). 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.

If you previously held a license, you are not eligible to apply for CPA-Inactive certificateholder status.

To apply to return to your previous status, you must submit to the board:

(1) A complete application form including your certification, under the penalty of perjury, that you have:

(a) Not used the title CPA or CPA-Inactive during the time in which (~~you were in retiree status~~) your license or CPA-Inactive certificate was retired; and

(b) Met the CPE requirements to return to your previous status in WAC 4-25-830(4);

(2) All applicable fees; and

(3) Other required documentation, required information, or other documentation deemed necessary by the board.

Upon approval of your application, your license or notification of your status as a CPA-Inactive certificateholder will be mailed to the last address you provided to the board. Your license or CPA-Inactive certificate will expire on June 30th of the third calendar year following approval of the renewal. The CPE reporting period for your next renewal begins on January 1 of the calendar year in which the renewal of your retired license or CPA-Inactive certificate was approved by the board and ends on December 31 of the second calendar year following approval of the renewal. CPE credit hours utilized to qualify for renewal of a retired license or CPA-Inactive certificate cannot be utilized for this CPE reporting period.

You may not use the title CPA or CPA-Inactive until your

renewal application 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 performed in a ((licensed)) CPA firm licensed by the board 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 4-25-795 How do I reinstate a revoked or suspended license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner? If your license or CPA-Inactive certificate was revoked or suspended by the board pursuant to the act, you may not use the title CPA or CPA-Inactive until your license or CPA-Inactive certificate is reinstated by the board.

If your registration as a resident nonlicensee firm owner was revoked or suspended by the board pursuant to the act, you may not be a firm owner until your registration is reinstated by the board.

You may request that the board modify the suspension or revocation after three years have elapsed from the effective date of the board's order revoking or suspending your license or CPA-Inactive certificate unless the board sets some other period by order. However, if you made a previous request with respect to the same order, no additional request will be considered before the lapse of an additional three years following the board's decision on the last such previous application.

To request reinstatement of a revoked or suspended license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner you must use the form provided by the board and satisfy CPE requirements in WAC 4-25-830(6). A request is not complete and cannot be processed until all fees, required information, required documentation, and other documentation deemed necessary by the board are received by the board.

- To request reinstatement, you must submit to the board:
- (1) A complete reinstatement form including your certification under the penalty of perjury, that you have:
 - (a) *For those who wish to reinstate a license or CPA-Inactive certificate:* Not used the title CPA during the time in which your license or CPA-Inactive certificate was suspended or revoked; or
 - (b) *For those who wish to reinstate a registration as a resident nonlicensee firm owner:* Not participated as an owner in a CPA firm during the time in which your registration as a resident nonlicensee firm owner was suspended or revoked; and
 - (c) Met the CPE requirements for reinstatement in WAC 4-25-830(6); and
 - (d) Met the CPE supporting documentation requirements in WAC 4-25-833;
 - (2) A listing of all states and foreign jurisdictions in which you hold or have applied for a license, CPA-Inactive certificate, permit, or practice privilege under substantial equivalence;
 - (3) All applicable fees;
 - (4) Source documents as evidence of eligibility for CPE credit for all courses claimed in order to meet CPE requirements as

defined by WAC 4-22-833;

(5) Written substantiation of the reasons constituting good cause for the reinstatement;

(6) Two supporting recommendations, under penalty of perjury, from licensees who have personal knowledge of your activities since the suspension or revocation was imposed; and

(7) Other required documentation, required information, and other documentation deemed necessary by the board.

In considering the reinstatement application, the board may consider all relevant factors, including but not limited to:

(a) The offense for which you were disciplined;

(b) Your activities since the disciplinary penalty was imposed;

(c) Your activities during the time the license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner was in good standing;

(d) Your rehabilitative efforts;

(e) Restitution to damaged parties in the matter for which the penalty was imposed; and

(f) Your general reputation for truth and professional ((probity)) ethics.

If the board decides to consider the merits of your application for reinstatement, in the board's discretion, a hearing may be held following such procedures as the board deems suitable for the particular case. If the board decides that it will not consider the merits of your application for reinstatement, then this constitutes final agency action and there is no further administrative review available to you. As a condition of reinstatement, the board may impose such terms and conditions as it deems suitable.

The board will not consider a request for reinstatement while you are under sentence for any criminal offense, including any period during which you are on court-imposed probation or parole.

Upon approval of your application, your license, notification of your status as a CPA-Inactive certificateholder, or registration as a resident nonlicensee firm owner will be mailed to the last address you provided to the board. Your license, CPA-Inactive certificate, or registration will expire on June 30th of the third calendar year following approval of the reinstatement. The CPE reporting period for your next renewal begins on January 1 of the calendar year in which the reinstatement of your license, CPA-Inactive certificate, or registration was approved by the board and ends on December 31 of the second calendar year following approval of the reinstatement. CPE credit hours utilized to qualify for reinstatement of a license, CPA-Inactive certificate, or registration cannot be utilized for this CPE reporting period.

You may not use the title CPA or CPA-Inactive until your reinstatement application 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 performed in a CPA firm licensed by the board 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 4-25-830 What are the CPE requirements? (1) The following CPE is required during the three calendar year period prior to renewal:

(a) ~~((A licensee))~~ CPAs must complete 120 CPE credit hours which is limited to 24 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics ~~((applicable to the practice of public accounting in Washington state))~~ meeting the requirements of subsection (3) of this section;

(b) A CPA-Inactive certificateholder or a resident nonlicensee firm owner must complete 4 CPE credit hours in ethics ~~((applicable to the practice of public accounting in Washington state))~~ meeting the requirements of subsection (3) of this section; and

(c) Individuals holding practice privileges are exempt from the CPE requirements of this section.

(2) **CPE requirements for renewal of a license that was issued less than three years before the end of a CPA-Inactive certificate renewal cycle:** When you convert your status from a CPA-Inactive certificateholder to a licensee, your CPE reporting period (the three calendar year period prior to renewal) and renewal cycle will remain the same. The CPE requirements for renewal are as follows:

(a) If your license was issued during the first calendar year of your CPE reporting period, you must have completed 80 CPE credit hours which is limited to 16 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics ~~((applicable to the practice of public accounting in Washington state))~~ meeting the requirements of subsection (3) of this section.

(b) If your license was issued during the second calendar year of your CPE reporting period, you must have completed 40 CPE credit hours which is limited to 8 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics ~~((applicable to the practice of public accounting in Washington state))~~ meeting the requirements of subsection (3) of this section.

(c) If your license was issued during the third calendar year of your CPE reporting period, you must have completed 4 CPE credit hours in ethics ~~((applicable to the practice of public accounting in Washington state))~~ meeting the requirements of subsection (3) of this section.

(3) **Ethics and regulations applicable to practice in Washington state:** During each CPE reporting period all ~~((licensees))~~ CPAs, CPA-Inactive certificateholders, and resident nonlicensee firm owners are required to complete ~~((a))~~ four ~~((-hour course on))~~ CPE credit hours in professional ethics and regulations with specific application to the practice of public accounting in Washington state; however, for CPE reporting periods beginning

January 1, 2006, and later, during each CPE reporting period all CPAs, CPA-Inactive certificateholders, and resident nonlicensee firm owners are required to complete four hours in board approved ethics and regulations CPE. In order to be approved by the board, the CPE sponsor or instructor must submit documentation associated with the ethics and regulations CPE to the board for approval and the sponsor or instructor must obtain written approval from the board. The ethics and regulations CPE must cover all of the following topics, and the ethics and regulations CPE must substantially address these topics:

(a) Chapter 18.04 RCW and chapter 4-25 WAC. The CPE must include general level information on the Public Accountancy Act, the board's rules, policies, and the rule-making process.

(b) WAC 4-25-521 How can I contact the board?

(c) WAC 4-25-550 Do I need to notify the board if I change my address?

(d) WAC 4-25-551 Must I respond to inquiries from the board?

(e) WAC 4-25-600 Series--Ethics and prohibited practices. The CPE must include detailed information on each rule and all related board policies.

(f) WAC 4-25-800 Series--Continuing competency. The CPE must include detailed information on each rule and all related board policies.

(g) WAC 4-25-910 What are the bases for the board to impose discipline?

(h) AICPA Code of Conduct: The CPE must include general level information on the AICPA Code of Conduct.

(i) Variances or key differences between Washington state law (chapter 18.04 RCW and chapter 4-25 WAC) and the AICPA Code of Conduct.

(j) Other topics or information as defined by board policy.

(4) ~~((20 hours a year minimum: Licensees must complete a minimum of 20 hours of CPE each calendar year. This requirement is waived for the first calendar year of a licensee's initial CPE reporting cycle.~~

~~(5)) CPE requirements ((for renewal following retirement)) to renew a retired license or CPA-Inactive certificate:~~

(a) In order to renew ((as a licensee)) your retired license you must meet the CPE requirements of subsection (1)(a) of this section within the thirty-six month period immediately preceding the date the renewal application is received by the board; however, the four CPE hours in ethics meeting the requirements of subsection (3) of this section must be completed within the six-month period immediately preceding the date your renewal application was received by the board.

(b) In order to renew ((as a certificateholder)) your retired CPA-Inactive certificate, you must meet the CPE requirements of subsection (1)(b) of this section within the six-month period immediately preceding the date your renewal application was received by the board.

((+6)) (5) CPE requirements for a CPA-Inactive certificateholder to either qualify to apply for a license or

return to their previously held status as a licensee: If you hold a valid CPA-Inactive certificate and you wish to apply for a license or you want to return to your previously held status as a licensee, you must meet the ((following)) CPE requirements((-

(a) ~~If your certificate was issued less than a year prior to the date you apply for a license, there is no CPE requirement for licensure.~~

(b) ~~If your certificate was issued more than a year but less than two years from the date you apply for a license, you must have completed 40 CPE credit hours within the twelve months immediately preceding the date you file your application. If more than four years has lapsed since you passed the CPA examination, you are limited to 8 CPE credit hours in nontechnical subject areas.~~

(c) ~~If your certificate was issued more than two years but less than three years from the date you filed your renewal, you must have completed 80 CPE credit hours within the twenty-four months immediately preceding the date you file your application. If more than four years has lapsed since you passed the CPA examination, you are limited to 16 CPE credit hours in nontechnical subject areas.~~

(d) ~~If your certificate was issued more than three years from the date you apply for a license, you must have completed 120 CPE credit hours within the thirty-six months immediately preceding the date you file your application. If more than four years has lapsed since you passed the CPA examination, you are limited to 24 CPE credit hours in nontechnical subject areas)) of subsection (1)(a) of this section within the thirty-six month period immediately preceding the date your application is received by the board.~~

((7)) **(6) Reinstatement of a lapsed, suspended, or revoked license, certificate, or registration as resident nonlicensee firm owner:**

(a) If you seek to reinstate a lapsed, suspended, or revoked license, you must satisfy the requirements of subsection (1)(a) of this section within the ((three-year)) thirty-six month period immediately preceding the date the application for reinstatement was received by the board; however, the four CPE hours in ethics meeting the requirements of subsection (3) of this section must be completed within the six-month period immediately preceding the date your application for reinstatement was received by the board.

(b) If you seek to reinstate a lapsed, suspended, or revoked CPA-Inactive certificate, or registration as a resident nonlicensee firm owner, you must satisfy the requirements of subsection (1)(b) of this section within the six-month period immediately preceding the date ((the)) your application for reinstatement was received by the board.

((8)) **(7) Reciprocity:** If you are applying for an initial Washington state CPA license under the reciprocity provisions of the act, you must satisfy the requirements in subsection (1)(a) of this section within the ((three-year)) thirty-six month period immediately preceding the date ((the)) your application was received by the board. For purposes of initial licensure, you do not need to satisfy the ethics requirements of subsection (1)(a) of

this section. Thereafter, in order to renew your Washington state license, you must comply with all the renewal requirements in subsection (1)(a) of this section.

~~((9))~~ (8) CPE waiver request: In order to renew your license, CPA-Inactive certificate, or registration as a nonlicensee firm owner you must complete the required CPE by the end of the CPE reporting period preceding your renewal unless you can demonstrate your failure to meet the CPE requirements was due to reasonable cause. The board may provide limited extensions to the CPE requirements for reasons of individual hardship including, but not limited to, financial hardship (~~including health, military service, foreign residence, or other reasonable cause~~), critical illness, or active military deployment. You must request such an extension in writing on the form(s) provided by the board. The request must include justification for the request and ~~((your))~~ identify the specific CPE you plan to obtain to correct your CPE deficiency.

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

WAC 4-25-831 What are the program standards for CPE? (1)

Qualifying program: A program qualifies as acceptable CPE for purposes of RCW 18.04.215(5) if it is a formal program of learning which contributes to the ~~((growth in the))~~ CPA's professional knowledge and ~~((professional))~~ competence ~~((of an individual in the practice of the profession))~~. A formal program means:

- The program is at least fifty minutes in length;
- Attendance is recorded;
- Participants sign in to confirm attendance and, if the program is greater than four credit hours, participants sign out during the last hour of the program; and
- Attendees are provided a certificate of completion.

(2) **Undergraduate and graduate courses:** A graduate or undergraduate course qualifies for CPE credit if it meets the standards in subsections (1) and (5) of this section. For both undergraduate and graduate courses one quarter credit equals 10 CPE credit hours and one semester credit equals 15 CPE credit hours.

(3) **Committee meetings:** Generally, CPE credit is not allowed for attending committee meetings. A meeting qualifies for CPE credit only if it meets the standards in subsections (1) and (5) of this section.

(4) ~~((Quality assurance review: Service on the board's QAR committee, participating as a QAR team captain or reviewer, and participating on other board-approved quality or peer review committees may be considered for CPE credit as defined by board policy.))~~ **CPE credit hours for volunteer service on the board and its committees and volunteer service on board approved peer review committees:** You may receive up to thirty-two hours of technical CPE credit each calendar year for actual time spent on board, board committee, or board approved peer review committee activities.

(5) **Subject areas:** Programs dealing with the following general subject areas are acceptable so long as they meet the standards in subsection (1) of this section:

(a) **Technical subjects include:**

- (i) Auditing standards or procedures;
- (ii) Compilation and review of financial statements;
- (iii) Financial statement preparation and disclosures;
- (iv) Attestation standards and procedures;
- (v) Projection and forecast standards or procedures;
- (vi) Accounting and auditing;
- (vii) Management advisory services;
- (viii) Personal financial planning;
- (ix) Taxation;
- (x) Management information services;

- (xi) Budgeting and cost analysis;
- (xii) Asset management;
- (xiii) Professional ethics (other than those programs used to satisfy the requirements of WAC 4-25-830(3));
- (xiv) Specialized areas of industry;
- (xv) Human resource management;
- (xvi) Economics;
- (xvii) Business law;
- (xviii) Mathematics, statistics, and quantitative applications in business;

- (xix) Business management and organization;
- (xx) General computer skills, computer software training, information technology planning and management; and
- (xxi) Negotiation or dispute resolution courses;

(b) Nontechnical subjects include:

- (i) Communication skills;
- (ii) Interpersonal management skills;
- (iii) Leadership and personal development skills;
- (iv) Client and public relations;
- (v) Practice development;
- (vi) Motivational and behavioral courses; and
- (vii) Speed reading and memory building((7

~~(c) Professional ethics with specific application to the practice of public accounting in Washington state covers the following subjects: Revised Code of Washington chapter 18.04, Washington Administrative Code chapter 4-25, and the code of professional conduct promulgated by the American Institute of CPAs)).~~

Subjects other than those listed above may be acceptable provided you can demonstrate they contribute to your professional competence. You are solely responsible for demonstrating that a particular program is acceptable.

(6) Group programs: You may claim CPE credit for group programs such as the following so long as the program meets the standards in subsections (1) and (5) of this section:

- (a) Professional education and development programs of national, state, and local accounting organizations;
- (b) Technical sessions at meetings of national, state, and local accounting organizations and their chapters;
- (c) Formal in-firm education programs;
- (d) Programs of other organizations (accounting, industrial, professional, etc.);
- (e) Dinner, luncheon, and breakfast meetings which are structured as formal educational programs;
- (f) Firm meetings for staff and/or management groups structured as formal education programs. Portions of such meetings devoted to communication and application of general professional policy or procedure may qualify, but portions devoted to firm administrative, financial and operating matters generally will not qualify.

(7) CPE credit: CPE credit is allowable only for those programs taken after the issuance of the CPA ((certificate))

license. Credit is not allowed for programs taken to prepare an applicant for the ethics examination as a requirement for initial ((certification)) licensure. CPE credit is given in half-hour increments only after the first full CPE credit hour has been earned. A minimum of fifty minutes ((constituting)) constitutes one CPE credit hour and, after the first fifty-minute segment has been earned, twenty-five minutes constitutes one-half CPE credit hour. For example:

- Twenty-five minutes of continuous instruction counts as zero CPE credit hour;
- Fifty minutes of continuous instruction counts as one CPE credit hour; and
- Seventy-five minutes of continuous instruction counts as one and one-half CPE credit hours.

Attendees obtain CPE credit only for time spent in instruction; no credit is allowed for preparation time.

(8) **Self-study programs:** Credit for self-study programs is allowed in the renewal period in which you completed the program as established by the evidence of completion provided by the program sponsor.

(a) **Interactive self-study programs:** The amount of credit allowed for interactive self-study is that which is recommended by the program sponsor on the basis of the average completion time under appropriate "field tests." In order to claim CPE credit for interactive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor.

(b) **Noninteractive self-study programs:** The amount of credit allowed for noninteractive self-study is one-half the average completion time as determined by the program sponsor on the basis of appropriate "field tests." To claim CPE credit for noninteractive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor.

(9) **Instructor, discussion leader, or speaker:** If you serve as an instructor, discussion leader or speaker at a program which meets the standards in subsections (1) and (5) of this section, the first time you present the program you may claim CPE credit for both preparation and presentation time. One hour of credit is allowed for each fifty minutes of instruction. Additionally, you may claim credit for actual preparation time up to two times the presentation hours. No credit is allowed for subsequent presentations. A maximum of seventy-two CPE credit hours are allowed for preparation and presentation during each CPE reporting period.

(10) **Published articles, books:** You may claim CPE credit for published articles and books, provided they contribute to your professional competence. Credit for preparation of such publications may be claimed on a self-declaration basis for up to thirty hours in a CPE reporting period. In exceptional circumstances, you may request additional credit by submitting the article(s) or book(s) to the board with an explanation of the circumstances that justify a greater credit. The amount of credit awarded for a given publication will be determined by the board.

(11) **Carry-forward:** CPE credit hours you complete during one period cannot be carried forward to the next period.

(12) **Carry-back:** As specified in WAC 4-25-830(9), CPE credit hours you complete during one period can be carried back to the previous reporting period only after the board has approved your request to carry back CPE credit hours.

(13) **Credential examination:** You may not claim CPE credit for preparing for or taking a credential examination unless you complete a formal review course and receive a certificate of completion meeting the requirements of WAC 4-25-833. CPE credit may not be claimed for CPA examination review courses.

AMENDATORY SECTION (Amending WSR 03-24-033, filed 11/25/03 effective 12/31/03)

WAC 4-25-910 What are the bases for the board to impose discipline? RCW 18.04.055, 18.04.295, and 18.04.305 authorize the board to revoke, suspend, refuse to issue, renew, or reinstate an individual or firm license, CPA-Inactive certificate, practice privilege, or registration as a resident nonlicensee firm owner; impose a fine not to exceed thirty thousand dollars; recover investigative and legal costs; impose full restitution to injured parties; impose remedial sanctions; impose conditions precedent to renew; or prohibit a nonlicensee from holding an ownership interest in a licensed firm for the specific acts listed below.

The following are specific examples of prohibited 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 applying for the CPA examination, obtaining a license, registering as a nonlicensee firm owner, submitting notification of practice privileges, or in any filings with the board.

(2) Fraud or deceit in renewing a license, CPA-Inactive certificate, registration as a nonlicensee firm owner, or practices privileges.

(3) Cheating on the CPA exam.

(4) Making a false or misleading statement in support of another's application to take the CPA examination, application for a license ((and/or certificate)), registration as a nonlicensee firm owner, submission of notification of practice privileges, renewal, or reinstatement.

~~((3))~~ (5) Dishonesty, fraud, or negligence while representing oneself as a CPA, CPA-Inactive certificateholder, CPA firm, or a nonlicensee firm owner including but not limited to:

(a) Practicing public accounting in Washington state prior to obtaining a license;

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

(c) Engaging in acts of fiscal dishonesty;

(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;

(e) Unlawfully selling unregistered securities;

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

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

(h) Withdrawing or liquidating, as fees earned, funds received by a CPA, CPA firm, or a nonlicensee firm owner 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.

~~((4))~~ (6) The following shall be prima facie evidence that a CPA, CPA-Inactive certificateholder, CPA firm, or a nonlicensee firm owner has engaged in dishonesty, fraud, or negligence while representing oneself as a CPA, CPA-Inactive certificateholder, CPA firm, or a nonlicensee firm owner:

(a) An order of a court of competent jurisdiction finding the CPA, CPA-Inactive certificateholder, CPA firm, or the nonlicensee firm owner to have committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on a CPA's, CPA-Inactive certificateholder's, CPA firm's, or nonlicensee firm owner's fitness to represent himself or herself as a CPA, CPA-Inactive certificateholder's, CPA firm, or a nonlicensee firm owner;

(b) An order of a federal, state, local or foreign jurisdiction regulatory body, or the PCAOB, finding the CPA, CPA-Inactive certificateholder, CPA firm, or nonlicensee firm owner to have committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on a CPA's, CPA-Inactive certificateholder's, the nonlicensee firm owner's, or CPA firm's fitness to represent itself as a CPA, a CPA-Inactive certificateholder, a nonlicensee firm owner, or a CPA firm;

(c) Cancellation, revocation, suspension, or refusal to renew the right to practice as a CPA, CPA-Inactive certificateholder, or a nonlicensee firm owner 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))~~ agency, federal agency, or the PCAOB.

~~((5))~~ (7) Any state or federal criminal conviction or commission of any act constituting a crime under the laws of this state, or of another state, or of the United States.

~~((6))~~ (8) A conflict of interest 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 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).

(b) Borrowing funds from a client unless the client is in the business of making loans of the type obtained by the CPA, CPA-Inactive certificateholder, CPA firm, or nonlicensee firm owner and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness.

~~((7))~~ (9) A violation of the Public Accountancy Act or failure to comply with a board rule contained in chapter 4-25 WAC.

~~((8))~~ (10) Violation of one or more of the rules of professional conduct included in chapter 4-25 WAC or concealing another's violation of the Public Accountancy Act or board rules.

~~((9))~~ (11) 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))~~ (12) Failure to comply with an order of the board.

~~((11))~~ (13) A CPA's, CPA-Inactive certificateholder's, or nonlicensee firm owner's adjudication as mentally incompetent is prima facie evidence that the CPA, CPA-Inactive certificateholder, or nonlicensee firm owner lacks the professional competence required by the rules of professional conduct.

~~((12))~~ (14) Failure of a licensee, CPA-Inactive certificateholder, or nonlicensee firm owner to notify the board, on a form and in the manner prescribed by board policy, within thirty days of the issuance of:

(a) A sanction, order, suspension, revocation, or modification of a license, certificate, permit or practice rights by the SEC, PCAOB, IRS, or another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy; or

(b) Charges filed by the SEC, IRS, PCAOB, another state board of accountancy, or a federal or state taxing, insurance or securities regulatory body that the licensee, CPA-Inactive certificateholder, or nonlicensee firm owner committed a prohibited act that would be a violation of board ethical or technical standards.