

TRANSMITTAL OF RULES ADOPTED

FROM: WASHINGTON STATE BOARD OF ACCOUNTANCY
(Name of Agency)

TO: CODE REVISER
LEGISLATIVE BLDG (Southwest Corner, Ground Floor)
Olympia 98501

The enclosed Permanent rules , being order No. PL 174
Emergency rules

relating to (Name of rules or description of subject matter)

Rules of Professional Conduct of Certified Public Accountants,
Licensed Public Accountants, and Public Accountants. (Copy
of rules attached hereto.)

(ALTERNATIVE A. Use only for adoption of permanent rules)

pursuant to Notice No. 4797 ^① filed with the code reviser
on 8/14/74 ^② were regularly adopted as permanent rules of this
(date)
agency at Seattle, Washington on 9/20/74 and are herewith
(place) (date)
filed in the office of the code reviser pursuant to chapter 34.04
RCW. The effective date of such rules shall be _____ ^③

(ALTERNATIVE B. Use only for adoption of emergency rules)

pursuant to its finding that the immediate adoption of
these rules is necessary for the preservation of the public
health, safety, or general welfare and that observance of the
requirements of notice and opportunity to present views on
the proposed action would be contrary to the public interest,
were regularly adopted as emergency rules of this agency at
_____ on _____ and are herewith filed in
(place) (date)
the office of the code reviser pursuant to chapter 34.04 RCW.

The undersigned hereby certifies that the requirements of chapter
34.04 RCW and of the Open Public Meetings Act of 1971, chapter
42.30 RCW (1971 ex.s. c 250) have been fulfilled.

Dated this _____ 24th _____ day of September 1974.

STATE OF WASHINGTON
FILED
SEP 24 1974
CODE REVISER'S OFFICE
DOCKET # 172 FILE # 2

WASHINGTON STATE BOARD OF ACCOUNTANCY
(AGENCY)

[Signature]
By

Assistant Attorney General
Title

- ① NOTICE NUMBER AS APPEARS ON THE COPY OF NOTICE RETURNED TO YOU BY RE-
VISER'S OFFICE (IF PROCEEDINGS WERE CONTINUED, USE NO. OF LAST NOTICE)
- ② STAMPED DATE AS APPEARS ON THE COPY OF NOTICE RETURNED TO YOU BY REVIS-
ER'S OFFICE (IF PROCEEDINGS WERE CONTINUED, USE DATE OF LAST NOTICE)
- ③ UNLESS A LATER DATE IS SPECIFIED IN THIS ORDER OR IS PRESCRIBED
IN ANOTHER STATUTE, RULES ARE EFFECTIVE 30 DAYS AFTER FILING:
RCW 34.04.040. LEAVE THIS SPACE BLANK EXCEPT IN SUCH SPECIAL CASES.

STATE OF WASHINGTON
BOARD OF ACCOUNTANCY

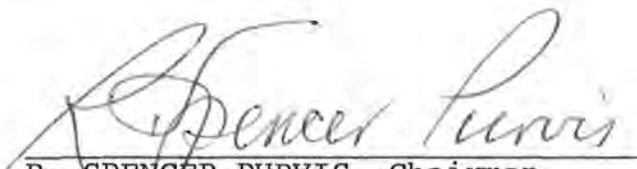
ADMINISTRATIVE ORDER NO. PL 174

The Washington State Board of Accountancy having conducted a public hearing pursuant to Notice No. 4797 filed with the Code Reviser on August 14, 1974, said hearing having been conducted on September 20, 1974, at the Commerce and Economic Development Building, 312 First Avenue North, Seattle, Washington, and the Board having heard testimony relative to the rules and having considered the adoption of the rules and having authorized the Chairman of the Washington State Board of Accountancy to sign the Order adopting the said rules and to transmit the rules to the Code Reviser for filing; now, therefore,

I, R. SPENCER PURVIS, Chairman of the Washington State Board of Accountancy, do hereby certify that the rules and regulations attached hereto were duly and regularly adopted by the Washington State Board of Accountancy on September 20, 1974.

This Order, after being first recorded in the order register of this agency, shall be forwarded to the Code Reviser for filing pursuant to chapter 34.04 RCW and chapter 1-12 WAC.

DATED this 20th day of September, 1974.


R. SPENCER PURVIS, Chairman
Washington State Board of
Accountancy

WAC 4-16-200 DEFINITIONS. The following definitions of terminology are applicable wherever such terminology is used in the rules and interpretations:

(1) "Client" means the person(s) or entity which retains a licensee or his firm engaged in the practice of public accounting, for the performance of professional services.

(2) "Enterprise" means any person(s) or entity, whether organized for profit or not, for which a licensee provides services.

(3) "Firm" means a proprietorship, partnership or professional corporation or association engaged in the practice of public accounting, including individual partners or shareholders thereof.

(4) "Financial statements" means any statements and footnotes related thereto that purport to show financial position which relates to a point in time or changes in financial position which relate to a period of time, and statements which use a cash or other incomplete basis of accounting. Balance sheets, statements of income, statements of retained earnings, statements of changes in financial position and statements of changes in owners' equity are financial statements. Incidental financial data included in management advisory services reports to support recommendations to a client, and tax returns and supporting schedules do not, for this purpose, constitute financial statements; and the statement, affidavit or signature of preparers required on tax returns neither constitutes an opinion on financial statements nor requires a disclaimer of such opinion.

(5) "Practice of public accounting" means holding oneself out to be a CPA, LPA or Public Accountant and at the same time performing for a client one or more types of services rendered by public accountants.

(6) "Professional services" mean one or more types of services performed in the practice of public accounting.

(7) "Licensee" means a certified public accountant, a licensed public accountant or a public accountant licensed to practice under the Public Accounting Act of 1949.

WAC 4-16-205 APPLICABILITY OF RULES. (1) The rules of conduct which follow apply to all services performed in the practice of public accounting including tax and management advisory services except where the wording of the rule indicates otherwise.

(2) A licensee may be held responsible for compliance with the rules of conduct by all persons associated with him in the practice of public accounting who are either under his supervision or are his partners or shareholders in the practice.

(3) A licensee engaged in the practice of public accounting must observe all the rules of conduct. A licensee not engaged in the practice of public accounting must observe only WAC 4-16-215 and WAC 4-16-260 since all other rules of conduct relate solely to the practice of public accounting.

(4) A licensee shall not permit others to carry out on his behalf, either with or without compensation, acts which, if carried out by the licensee, would place him in violation of the rules of conduct.

WAC 4-16-210 INDEPENDENCE-RULE 101. A licensee or a firm of which he is a partner or shareholder shall not express an opinion of financial statements of an enterprise unless he and his firm are independent with respect to such enterprise. Independence will be considered to be impaired if, by way of example but not limited to:

- (1) During the period of his professional engagement, or at the time of expressing his opinion, he or his firm
- (a) Had or was committed to acquire and direct or material indirect financial interest in the enterprise; or
 - (b) Had any joint closely held business investment with the enterprise or any officer, director or principal stockholder thereof which was material in relation to his or his firm's net worth; or
 - (c) Had any loan to or from the enterprise or any officer, director or principal stockholder thereof. This latter proscription does not apply to the following loans from a financial institution when made under normal lending procedures, terms and requirements:
 - (i) Loans obtained by a licensee or his firm which are not material in relation to the net worth of such borrower.
 - (ii) Home mortgages.
 - (iii) Other secured loans, except loans guaranteed by a licensee's firm which are otherwise unsecured.
- (2) During the period covered by the financial statements, during the period of the professional engagement or at the time of expressing an opinion, he or his firm
- (a) Was connected with the enterprise as a promoter, underwriter or voting trustee, a director or officer or in any capacity equivalent to that of a member of management or of an employee; or
 - (b) Was a trustee of any trust or executor or administrator of any estate if such trust or estate had a direct or material indirect financial interest in the enterprise; or was a trustee for any pension or profit-sharing trust of the enterprise.

WAC 4-16-215 INTEGRITY AND OBJECTIVITY-RULE 102. A licensee, when engaged in the practice of public accounting, including the rendering of tax and management advisory services, shall not knowingly misrepresent facts, nor shall he subordinate his judgment to others. In tax practice, a member may resolve doubt in favor of his client as long as there is reasonable support for his position.

WAC 4-16-220 COMPETENCE-RULE 201. A licensee shall not undertake any engagement which he or his firm cannot reasonably expect to complete with professional competence.

WAC 4-16-225 AUDITING STANDARDS-RULE 202. A licensee shall not permit his name to be associated with financial statements in such a manner as to imply that he is acting as an independent public accountant unless he has complied with the applicable generally accepted auditing standards. Statements on

auditing procedure issued by the AICPA committee on auditing procedure are, for purposes of this rule, considered to be interpretations of the generally accepted auditing standards, and departures from such statements must be justified by those who do not follow them.

NEW WAC 4-16-230 ACCOUNTING PRINCIPLES-RULE 203. A licensee shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such statements contain any departure from an accounting principle promulgated by a body designated by the board to establish such principles which has a material effect on the statements taken as a whole, unless the licensee can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases his report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement.

NEW WAC 4-16-235 FORECASTS-RULE 204. A licensee shall not permit his name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the licensee vouches for the achievability of the forecast.

NEW WAC 4-16-240 CONFIDENTIAL CLIENT INFORMATION-RULE 301. A licensee shall not disclose any confidential information obtained in the course of a professional engagement except with the consent of the client.

This rule shall not be construed

(a) To relieve a licensee of his obligation under WAC 4-16-225 and 230,

(b) To affect in any way his compliance with a validly issued subpoena or summons enforceable by order of a court,

(c) To prohibit review of a licensee's professional practices as part of a voluntary quality review under any private association or society or

(d) To preclude a licensee from responding to any inquiry made by the Washington State Board of Accountancy or its designee.

The Washington State Board of Accountancy or its designee shall not disclose any confidential client information which comes to their attention from licensees in disciplinary proceedings or otherwise in carrying out their official responsibilities. However, this prohibition shall not restrict the exchange of information with any duly constituted investigative or disciplinary body of any CPA or LPA society or any state agency.

NEW WAC 4-16-245 CONTINGENT FEES-RULE 302. Professional services shall not be offered or rendered under an arrangement whereby no fee will be charged unless a specified finding or result is attained, or where the fee is otherwise contingent

upon the findings or results of such services. However, a licensee's fees may vary depending, for example, on the complexity of the service rendered.

Fees are not regarded as being 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.

WAC 4-16-250 ENCROACHMENT-RULE 401. A licensee shall not endeavor to provide a person or entity with a professional service which is currently provided by another public accountant except:

(1) He may respond to a request for a proposal to render services and may furnish service to those who request it. However, if an audit client of another independent public accountant requests a licensee to provide professional advice on accounting or auditing matters in connection with an expression of opinion on financial statements, the licensee must first consult with the other accountant to ascertain that the licensee is aware of all the available relevant facts.

(2) Where a license required to express an opinion on combined or consolidated financial statements which include a pendent public accountant, he may insist on auditing any such component which in his judgment is necessary to warrant the expression of his opinion.

A licensee who receives an engagement for services by referral from another public accountant shall not accept the client's request to extend his service beyond the specific engagement without first notifying the referring accountant, nor shall he seek to obtain any additional engagement from the client.

WAC 4-16-255 OFFERS OF EMPLOYMENT-RULE 402. A licensee in public practice shall not make a direct or indirect offer of employment to an employee of another public accountant on his own behalf or that of his client without first informing such accountant. This rule shall not apply if the employee of his own initiative or in response to a public advertisement applies for employment.

WAC 4-16-260 ACTS DISCREDITABLE-RULE 501. A licensee shall not commit an act discreditable to the profession.

WAC 4-16-265 SOLICITATION AND ADVERTISING-RULE 502. A licensee shall not seek to obtain clients by solicitation. Advertising is a form of solicitation and is prohibited.

EW
WAC 4-16-270 COMMISSIONS-RULE 503. A licensee shall not pay a commission to obtain a client, nor shall he accept a commission for a referral to a client of products or services of others. This rule shall not prohibit payments for the purchase of an accounting practice or retirement payments to individuals formerly engaged in the practice of public accounting or payments to their heirs or estates.

EW
WAC 4-16-275 INCOMPATIBLE OCCUPATIONS-RULE 504. A licensee who is engaged in the practice of public accounting shall not concurrently engage in any business or occupation which impairs his objectivity in rendering professional services or serves as a feeder to his practice.

WAC 4-16-280 FORM OR PRACTICE AND NAME-RULE 505. A licensee may practice public accounting, whether as an owner or employee, only in the form of a proprietorship, a partnership or a professional corporation whose characteristics conform to the Public Accounting Act of 1949.

EW
A licensee shall not practice under a firm name which includes any fictitious name, indicates specialization or is misleading as to the type of organization (proprietorship, partnership or corporation). However, names of one or more past partners or shareholders may be included in the firm name of a successor partnership or corporation. Also, a partner surviving the death or withdrawal of all other partners may continue to practice under the partnership name for up to two years after becoming a sole practitioner.

EW
WAC 4-16-010 through 4-16-135 be and the same are each hereby repealed.