



RULE-MAKING ORDER
(RCW 34.05.360)

CR-103 (10/1/89)
<input checked="" type="checkbox"/> Permanent Rule
<input type="checkbox"/> Emergency Rule

Agency: Board of Accountancy

(1) Date of adoption: December 16, 1993

(2) Purpose: General housekeeping--Reorganizes WAC section numbering; Prescribes procedures for monitoring licensees' quality of practice and compliance with professional standards.

(3) Citation of existing rules affected by this order: New section: **WAC 4-25-820 Quality assurance review (QAR) program.**
 Repealed:
 Amended:
 Suspended:

(4) Authority for adoption:
 Statute: RCW 18.04.055
 Other Authority:

(5.1) **PERMANENT RULE ONLY**
 Pursuant to notice filed as WSR 93-22-079 on November 1, 1993 (date).
 Describe any changes other than editing from proposed to adopted version:

(5.2) **EMERGENCY RULE ONLY**
 Pursuant to RCW 34.05.350 the agency for good cause finds:
 (a) That immediate adoption, amendment, or repeal of a rule is necessary for the preservation of the public health, safety, or general welfare, and that observing the time requirements of notice and opportunity to comment upon adoption of a permanent rule would be contrary to the public interest.
 (b) That state or federal law or federal rule or a federal deadline for state receipt of federal funds requires immediate adoption of a rule.
 Reasons for this finding:

(5.3) Any other findings required by other provisions of law as precondition to adoption or effectiveness of rule?
 Yes No If yes, explain:

(6) Effective date of rule:
Permanent Rules **Emergency Rules**
 31 days after filing Immediately
 Other (specify) _____ * Later (specify) _____
 *(If less than 31 days after filing, specific finding in 5.3 under RCW 34.05.380(3) is required)

CODE REVISER USE ONLY

CODE REVISER'S OFFICE
STATE OF WASHINGTON

JAN 04 1994 *He*

TIME *4:28*

WSR *94-02-071*

NAME (TYPE OR PRINT)
 Carey L. Rader

SIGNATURE
Carey Rader

TITLE
 Executive Director

DATE
 01/04/94

NEW SECTION

WAC 4-25-820 Quality assurance review (QAR) program. (1)

Purpose. The Washington state board of accountancy is charged with protection of the public interest as it relates to the licensure of certified public accountants (CPAs). The purpose of the QAR program (hereinafter referred to as program) is to monitor licensees' compliance with professional standards.

(2) Structure and implementation.

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

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

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

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

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

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

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

(c) The board may exempt from the requirement of (b) of this subsection any firm which has participated in a peer or quality review within the three years immediately preceding the date of board request. Firms requesting exemption must submit a copy of an unmodified report from a reviewing organization acceptable to the board. Firms that receive modified peer or quality review reports may request exemption, but must submit copies of such reports and related correspondence, at the discretion of the board, for consideration on an individual basis.

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

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

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

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

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

(i) Presentation of financial statements in conformity with generally accepted accounting principles;

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

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

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

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

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

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

(iii) Require that the office responsible for a substandard report submit all or specified categories of its reports to a preissuance review in a manner and for a duration prescribed by the board;

(iv) Require the office or the licensee firm responsible for a substandard report to submit to a peer review conducted in accordance with standards acceptable to the board;

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

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