



**RULE-MAKING ORDER**  
(RCW 34.05.360)

**CR-103** (10/1/89)  
 Permanent Rule  
 Emergency Rule

Agency: Board of Accountancy

(1) Date of adoption: October 28, 1994

(2) Purpose: To provide examples of acts that constitute grounds for discipline of Certified Public Accountants

(3) Citation of existing rules affected by this order: New section: **WAC 4-25-910 Bases for imposing discipline**  
Repealed: ~~WAC 4-25-270~~  
Amended:  
Suspended:

(4) Authority for adoption:  
Statute: RCW 18.04.055 RCW 18.04.295  
Other Authority:

**(5.1) PERMANENT RULE ONLY**

Pursuant to notice filed as WSR 94-13-061 on June 8, 1994 (date).

Describe any changes other than editing from proposed to adopted version:  
Deleted the phrase "while representing oneself as a CPA" where redundant in section (2)(a)

**(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**

- 31 days after filing
- Other (specify) \_\_\_\_\_\*

\* (If less than 31 days after filing, specific finding in 5.3 under RCW 34.05.380(3) is required)

**Emergency Rules**

- Immediately
- Later (specify) \_\_\_\_\_

**CODE REVISER USE ONLY**

CODE REVISER'S OFFICE  
STATE OF WASHINGTON  
FILED

NOV 15 1994

TIME: 4:44  
WSR: 94-23-070

NAME (TYPE OR PRINT)

Carey L. Rader

SIGNATURE

*Carey L. Rader*

TITLE

Executive Director

DATE

11/04/94

## NEW SECTION

**WAC 4-25-910 Bases for imposing discipline.** RCW 18.04.295 specifies sanctions the board may impose based on a listing of general causes. The following specific acts are examples of prohibited activities that constitute grounds for discipline under RCW 18.04.295. The board does not intend this listing to be all inclusive.

(1) Fraud or deceit in obtaining a certificate as a certified public accountant, or in obtaining a license, within the meaning of RCW 18.04.295(1), includes but is not limited to making a false or misleading statement in support of another's application for certificate or license.

(2) (a) Dishonesty, fraud, or negligence while representing oneself as a CPA, within the meaning of RCW 18.04.295(2), includes but is not limited to:

(i) Practicing public accountancy in this state prior to obtaining a license;

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

(iii) Engaging in acts of fiscal dishonesty;

(iv) 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;

(v) Unlawfully selling unregistered securities;

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

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

(viii) Withdrawing or liquidating, as fees earned, funds received by a CPA 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.

(b) The following shall be prima facie evidence that a certified public accountant has engaged in dishonesty, fraud, or negligence while representing himself or herself as a CPA:

(i) An order of a court of competent jurisdiction finding the CPA to have committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on a CPA's fitness to represent himself or herself as a CPA.

(ii) An order of a federal, state, or local regulatory body finding the CPA to have committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on a CPA's fitness to represent himself or herself as a CPA.

(3) A conflict of interest, within the meaning of RCW 18.04.055(2), includes but is not limited to:

(a) Self dealing as a trustee, including, but not limited to: Investing trust funds in entities controlled by or related to the trustee; borrowing from trust funds, with or without disclosure; employing persons or entities related to the trustee to provide services to the trust (unless specifically authorized by the trust creation document);

(b) Borrowing funds from any client unless the client is in the business of making loans of the type obtained by the licensee and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness.

(4) A violation of a rule of professional conduct promulgated by the board, within the meaning of RCW 18.04.295(4), includes but is not limited to:

(a) Violation of one or more of the rules of professional conduct included in chapter 4-25 WAC;

(b) Violation of one or more of the administrative rules included in chapter 4-25 WAC;

(c) Concealing another's violation of the accountancy act or board rules.

A CPA's adjudication as mentally incompetent is prima facie evidence that the CPA lacks the professional competence required by the rules of professional conduct.