



RULE-MAKING ORDER
(RCW 34.05.360)

CR-103 (7/10/97)

Agency: Board of Accountancy

- Permanent Rule**
- Emergency Rule**
- Expedited Adoption**
- Expedited Repeal**

(1) Date of adoption: 4/17/98

(2) Purpose:

Independence is a rule of professional conduct necessary to establish and maintain high standards of competence and ethics of certified public accountants (CPAs) to protect the public interest.

(3) Citation of existing rules affected by this order:

Repealed:

Amended: WAC 4-25-622 Independence

Suspended:

(4) Statutory authority for adoption: RCW 18.04.055(2)

Other authority:

PERMANENT RULE ONLY (including EXPEDITED ADOPTION):

Adopted under notice filed as WSR 98-01-230 on 12/24/97 (date).

Describe any changes other than editing from proposed to adopted version: None

EMERGENCY RULE ONLY

Under 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:

EXPEDITED REPEAL ONLY

Under Preproposal Statement of Inquiry filed as WSR _____ on _____ (date).

(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

or Expedited Rule Making

- 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) _____

NAME (TYPE OR PRINT)

Cheryl M. Sexton

SIGNATURE

TITLE

Confidential Secretary

DATE

May 28, 1998

CODE REVISER USE ONLY

CODE REVISER'S OFFICE
STATE OF WASHINGTON
FILED

MAY 29 1998

TIME 3:20

WSR 98-12-049

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Federal statute:	New	_____	Amended	_____	Repealed	_____
Federal rules or standards:	New	_____	Amended	_____	Repealed	_____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	_____	Repealed	_____

The number of sections adopted at the request of a nongovernmental entity:

New _____ Amended _____ Repealed _____

The number of sections adopted on the agency's own initiative:

New _____ Amended 1 Repealed _____

The number of sections adopted in order to clarify, streamline, or reform agency procedures:

New _____ Amended 1 Repealed _____

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>1</u>	Repealed	_____

AMENDATORY SECTION (Amending WSR 93-22-046, filed 10/28/93, effective 11/28/93)

WAC 4-25-622 Independence. (1) A CPA in public practice must be independent in the performance of the following:

(a) An audit or review of a financial statement; or

(b) A compilation of ((a)) historical or prospective financial statement when the CPA's report does not disclose a lack of independence; or

(c) ~~((An examination of prospective financial information.))~~

Other attest engagements when required by board rules or other professional standards such as the statements of standards for attestation engagements.

(2) ~~((Independence shall be considered to be impaired if, for example, there existed any of the following transactions, interests or relationships in connection with reporting on financial statements:))~~ The following specific acts are examples of impairment of independence. The board does not intend this listing to be all inclusive.

(a) During the period of a professional engagement, or at the time of expressing an opinion, a CPA or a CPA's firm:

(i) Had or was committed to acquire any direct or material indirect financial interest in the enterprise.

(ii) Was a trustee of any trust or executor or administrator of any estate if such trust or estate had or was committed to acquire any direct or material indirect financial interest in the enterprise.

(iii) Had any joint closely-held business investment with the enterprise or with any officer, director, or principal stockholder thereof which was material in relation to the CPA's net worth or the net worth of the CPA's firm.

(iv) Had any loan to or from the enterprise or any officer, director, or principal stockholder of the enterprise except under certain circumstances for home mortgages, other secured loans, loans not material to the CPA's net worth, and various personal loans.

(b) During the period covered by the financial statements, during the period of the professional engagement or at the time of expressing an opinion, the CPA or a CPA's firm:

(i) 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

(ii) Was a trustee for any pension or profit-sharing trust of the enterprise.

~~((The foregoing examples are not intended to be all inclusive.))~~