

HOUSE BILL REPORT

HB 1588

*As Reported By House Committee on:
State Government
Revenue*

Title: An act relating to the board of accountancy.

Brief Description: Regulating the board of accountancy.

Sponsor(s): Representatives Pruitt, Bowman, Anderson, McLean and Paris; by request of State Board of Accountancy.

Brief History:

Reported by House Committee on:
State Government, March 1, 1991, DPS;
Revenue, March 10, 1991, DPS(SG)-A.

**HOUSE COMMITTEE ON
STATE GOVERNMENT**

Majority Report: *That Substitute House Bill No. 1588 be substituted therefor, and the substitute bill do pass.*
Signed by 6 members: Representatives Anderson, Chair; Pruitt, Vice Chair; R. Fisher; Grant; O'Brien; and Sheldon.

Minority Report: *Do not pass.* Signed by 3 members: Representatives McLean, Ranking Minority Member; Bowman, Assistant Ranking Minority Member; and Chandler.

Staff: Linda May (786-7135).

Background: Currently there are five members on the Washington Board of Accountancy. Four members hold Certified Public Accountant (CPA) certificates and have been in public practice as CPAs in Washington for the previous 10 years. The fifth member of the board is the public member. The governor appoints members to the Accountancy Board. The board then hires its own staff.

The board charges several different examination, registration, and licensing fees. One set of examination fees charged by the board goes into a dedicated fund known as the Certified Public Accountants' Account. All other fees collected by the board go into the state general fund.

In addition to holding a certificate, a CPA with a public practice must also hold a license. There is some ambiguity

in existing law regarding the appropriate use of the title "Certified Public Accountant" by those who hold a certificate but do not hold a license. Also, the board currently has the authority to revoke or suspend the license of a CPA, but this authority does not extend to a certificate.

Summary of Substitute Bill: Two members are added to the Board of Accountancy, bringing the number of members to seven. The two new members must have held valid Washington CPA certificates for at least 10 years but do not have to meet the public practice stipulation.

The governor is to appoint the executive director of the board. The executive director must be a licensed CPA. The executive director is given the authority to employ staff.

Eighty percent of the fees received by the board are to be deposited in the Certified Public Accountants' Account. Twenty percent of fees will be deposited to the state general fund.

The board is given the authority to specify the manner and circumstances for the use of the CPA title by those who hold certificates but not licenses. The board's authority to revoke, suspend, or refuse to renew licenses is expanded to include certificates.

Substitute Bill Compared to Original Bill: In the original bill, the board's authority to employ staff is removed but not delegated to anyone else. In the substitute bill, this authority is assigned to the executive director. The substitute bill also re-words and moves to a separate section the language describing the new allocation of revenues between the Certified Public Accountants' Account and the general fund.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The board's job is to protect the public interest. The number of CPAs in the state is increasing, and issues are growing more complex. Increasing the membership on the board leads to better continuity, distribution of the workload, and more public representation. New allocation of revenues will help the board to better serve the public and let the board be self-sufficient.

Testimony Against: None.

Witnesses: Kit Hardan and Duffy Rader, Board of Accountancy (in favor).

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *The substitute bill by Committee on State Government be substituted therefor and the substitute bill as amended by Committee on Revenue do pass.* Signed by 9 members: Representatives Wang, Chair; Fraser, Vice Chair; Appelwick; Belcher; Day; Leonard; Morris; Phillips; and Rust.

Minority Report: *Do not pass.* Signed by 6 members: Representatives Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Brumsickle; Morton; Silver; and Van Luven.

Staff: Linda May (786-7135).

Summary of Recommendation of Committee on Revenue Compared to Recommendation of Committee on State Government: The bill recommended by the Committee on State Government directed that 80 percent of the fee revenues collected by the board be deposited into the CPA account, with the remaining 20 percent of fee revenues deposited into the state general fund. The bill as recommended by the Committee on Revenue returns the board to its current practice of depositing only the fees from the certificate examination process into the CPA account, with all other fee revenues deposited into the general fund. The recommendation from the Committee on Revenue also adds an emergency clause establishing July 1, 1991, as the effective date of the act.

Fiscal Note: Available.

Effective Date of Substitute Bill as Amended: The bill contains an emergency clause and takes effect July 1, 1991.

Testimony For: There are incidents in the state where the board is aware of a CPA's misconduct but cannot deal with the misconduct due to limitations in regulatory authority. This bill would allow the board to discipline these CPAs. The arrangement of the new allocation of revenues to the CPA account and the governor's appointment of the executive director has the support of the Office of Financial Management and the board. The new allocation of fee revenues is designed to be revenue-neutral to the general fund.

Testimony Against: None.

Witnesses: Carey C. Rader, Board of Accountancy (pro); and Jim Boldt, Washington CPA Society (pro).