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ENGROSSED SUBSTITUTE HOUSE BILL 2293

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State of Washington

52nd Legislature

1992 Regular Session

By House Committee on State Government (originally sponsored by Representatives Anderson, Bowman, Sheldon, McLean, D. Sommers, Forner, Ogden and Chandler)

Read first time 01/31/92.

1 AN ACT Relating to accounting; amending RCW 18.04.015, 18.04.025,  
2 18.04.035, 18.04.045, 18.04.055, 18.04.065, 18.04.105, 18.04.180,  
3 18.04.205, 18.04.215, 18.04.295, 18.04.305, 18.04.335, 18.04.345,  
4 18.04.350, 18.04.390, and 18.04.405; and adding a new section to  
5 chapter 18.04 RCW.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 18.04.015 and 1983 c 234 s 2 are each amended to read  
8 as follows:

9 (1) It is the policy of this state and the purpose of this chapter:

10 ~~((1))~~ (a) To promote the dependability of information which is  
11 used for guidance in financial transactions or for accounting for or  
12 assessing the status or performance of commercial and noncommercial  
13 enterprises, whether public, private or governmental; and

14 ~~((2))~~ (b) To protect the public interest by requiring that:

1       ~~((a))~~ (i) Persons (engaged in the practice of public accounting  
2 be qualified) who hold themselves out to the public as certified  
3 public accountants who offer to perform, or perform for clients,  
4 professional services, including but not limited to one or more kinds  
5 of services involving the use of accounting or auditing skills,  
6 including the issuance of "audit reports," "review reports," or  
7 "compilation reports" on financial statements, or one or more kinds of  
8 management advisory, or consulting services, the preparation of tax  
9 returns, or the furnishing of advice on tax matters, perform such  
10 services in a competent and professional manner;

11       ~~((b))~~ (ii) A public authority be established that is competent to  
12 prescribe and assess the qualifications of certified public accountants  
13 (be established), including certificate holders who are not licensed  
14 for the practice of public accounting;

15       ~~((c))~~ (iii) Persons other than certified public accountants  
16 refrain from using the words "audit," "review," and "compilation" when  
17 designating a report customarily prepared by someone knowledgeable in  
18 accounting; and

19       ~~((d))~~ (iv) The use of accounting titles likely to confuse the  
20 public be prohibited.

21       (2) A purpose of chapter ..., Laws of 1992 (this act), revising  
22 provisions of chapter 234, Laws of 1983, is to clarify the authority of  
23 the board of accountancy with respect to the activities of persons  
24 holding certificates under this chapter. Furthermore, it is not the  
25 intent of chapter ..., Laws of 1992 (this act) to in any way restrict  
26 or limit the activities of persons not holding certificates under this  
27 chapter except as otherwise specifically restricted or limited by  
28 chapter 234, Laws of 1983.

1       **Sec. 2.** RCW 18.04.025 and 1986 c 295 s 1 are each amended to read  
2 as follows:

3       Unless the context clearly requires otherwise, the definitions in  
4 this section apply throughout this chapter.

5       (1) "Board" means the board of accountancy created by RCW  
6 18.04.035.

7       (2) "Certified public accountant" or "CPA" means a person holding  
8 a certified public accountant certificate (~~((issued under this chapter~~  
9 ~~or the accountancy act of any state))~~).

10       (3) "State" includes the states of the United States, the District  
11 of Columbia, Puerto Rico, Guam, and the United States Virgin Islands.

12       (4) "~~((Opinions))~~ Reports on financial statements" (~~((are))~~) means  
13 any reports or opinions prepared by certified public accountants, based  
14 on (~~((examinations))~~) services performed in accordance with generally  
15 accepted auditing standards, standards for attestation engagements, or  
16 standards for accounting and review services as to whether the  
17 presentation of information used for guidance in financial transactions  
18 or for accounting for or assessing the status or performance of  
19 commercial and noncommercial enterprises, whether public, private, or  
20 governmental, conforms with generally accepted accounting principles or  
21 other comprehensive bases of accounting.

22       (5) The "practice of public accounting" means performing (~~((services~~  
23 ~~as one skilled in the knowledge and practice of public accounting and~~  
24 ~~preparing reports designated as "audit reports," "review reports," and~~  
25 ~~"compilation reports."))~~) or offering to perform by a person or firm  
26 holding itself out to the public as a licensee, for a client or  
27 potential client, one or more kinds of services involving the use of  
28 accounting or auditing skills, including the issuance of "audit  
29 reports," "review reports," or "compilation reports" on financial  
30 statements, or one or more kinds of management advisory, or consulting

1 services, or the preparation of tax returns, or the furnishing of  
2 advice on tax matters. The "practice of public accounting" shall not  
3 include practices that are permitted under the provisions of RCW  
4 18.04.350(6) by persons or firms not required to be licensed under this  
5 chapter.

6 (6) "Firm" means a sole proprietorship, a corporation, or a  
7 partnership.

8 (7) "CPE" means continuing professional education.

9 (8) "Certificate" means a certificate as a certified public  
10 accountant issued under this chapter, or a corresponding certificate  
11 issued by another state or foreign jurisdiction that is recognized in  
12 accordance with the reciprocity provisions of RCW 18.04.180 and section  
13 18 of this act.

14 (9) "Licensee" means the holder of ~~((a certificate who also holds))~~  
15 a valid license issued under this chapter.

16 (10) "License" means a biennial license to practice public  
17 accountancy issued to an individual or firm under this chapter.

18 (11) "Quality assurance review" means a process established by and  
19 conducted at the direction of the board of study, appraisal, or review  
20 of one or more aspects of the professional work of a person or firm in  
21 the practice of public accountancy, by a person or persons who hold  
22 certificates and who are not affiliated with the person or firm being  
23 reviewed.

24 (12) "Quality review" means a study, appraisal, or review of one or  
25 more aspects of the professional work of a person or firm in the  
26 practice of public accountancy, by a person or persons who hold  
27 certificates and who are not affiliated with the person or firm being  
28 reviewed, including a peer review, or any internal review or inspection  
29 intended to comply with quality control policies and procedures, but

1 not including the "quality assurance review" under subsection (11) of  
2 this section.

3 (13) "Review committee" means any person carrying out,  
4 administering or overseeing a quality review authorized by the  
5 reviewee.

6 (14) "Rule" means any rule adopted by the board under authority of  
7 this chapter.

8 (15) "Holding out" means any representation to the public by the  
9 use of restricted titles as set forth in RCW 18.04.345 by a person or  
10 firm that the person or firm is a certified public accountant and that  
11 the person or firm offers to perform any professional services to the  
12 public as a certified public accountant. "Holding out" shall not  
13 affect or limit a person not required to hold a certificate under this  
14 chapter or a person or firm not required to hold a license under this  
15 chapter from engaging in practices identified in RCW 18.04.350(6).

16 **Sec. 3.** RCW 18.04.035 and 1986 c 295 s 2 are each amended to read  
17 as follows:

18 (1) There is created a board of accountancy for the state of  
19 Washington to be known as the Washington state board of accountancy.  
20 The board shall consist of ~~((five))~~ seven members appointed by the  
21 governor. Members of the board shall include four persons who hold  
22 valid certified public accountant certificates and have been in public  
23 practice as certified public accountants in this state continuously for  
24 the previous ten years and two persons who have held a valid certified  
25 public accountant's certificate in this state for at least ten years.  
26 The ~~((fifth))~~ seventh member shall be the public member and shall be a  
27 person who is qualified to judge whether the qualifications,  
28 activities, and professional practice of those regulated under this  
29 chapter conform with standards to protect the public interest.

1 (2) The members of the board of accountancy shall be appointed by  
2 the governor to a term of three years. Vacancies occurring during a  
3 term shall be filled by appointment for the unexpired term. Upon the  
4 expiration of a member's term of office, the member shall continue to  
5 serve until a successor has been appointed and has assumed office. The  
6 governor shall remove from the board any member whose certificate or  
7 license to practice has been revoked or suspended and may, after  
8 hearing, remove any member of the board for neglect of duty or other  
9 just cause. No person who has served two successive complete terms is  
10 eligible for reappointment. Appointment to fill an unexpired term is  
11 not considered a complete term. In order to stagger their terms, of  
12 the two new appointments made to the board upon the effective date of  
13 this act, the first appointed member shall serve a term of two years  
14 initially.

15 **Sec. 4.** RCW 18.04.045 and 1986 c 295 s 3 are each amended to read  
16 as follows:

17 (1) The board shall annually elect a ~~((chairman))~~ chair, a ~~((vice~~  
18 ~~chairman))~~ vice-chair, and a secretary from its members.

19 ~~((The board may adopt and amend rules under chapter 34.05 RCW~~  
20 ~~for the orderly conduct of its affairs and for the administration of~~  
21 ~~this chapter.~~

22 ~~(3))~~ A majority of the board constitutes a quorum for the  
23 transaction of business.

24 ~~((4))~~ (3) The board shall have a seal which shall be judicially  
25 noticed.

26 ~~((5))~~ (4) The board shall keep records of its proceedings, and of  
27 any proceeding in court arising from or founded upon this chapter.  
28 Copies of these records certified as correct under the seal of the

1 board are admissible in evidence as tending to prove the content of the  
2 records.

3 ~~((6))~~ (5) The governor shall appoint an executive director of  
4 the board, who shall serve at the pleasure of the governor. The  
5 executive director may employ such personnel as is appropriate for  
6 carrying out the purposes of this chapter. The executive director  
7 shall hold a Washington CPA certificate. The board may ~~((employ~~  
8 ~~personnel and))~~ arrange for such volunteer assistance as it requires to  
9 perform its duties. Individuals or committees assisting the board  
10 ~~((under this subsection (6))~~ constitute volunteers for purposes of  
11 chapter 4.92 RCW.

12 ~~((7) Each member of the board shall receive compensation as~~  
13 ~~provided under RCW 18.04.080.~~

14 ~~(8))~~ (6) The board shall file an annual report of its activities  
15 with the governor. The report shall include, but not be limited to, a  
16 statement of all receipts and disbursements. Upon request, the board  
17 shall mail a copy of each annual report to any member of the public.

18 (7) In making investigations concerning alleged violations of the  
19 provisions of this chapter and in all proceedings under RCW 18.04.295  
20 or chapter 34.05 RCW, the board chair, or a member of the board, or a  
21 board designee acting in the chair's place, may administer oaths or  
22 affirmations to witnesses appearing before the board, subpoena  
23 witnesses and compel their attendance, take testimony, and require that  
24 documentary evidence be submitted.

25 (8) The board may review the publicly available professional work  
26 of licensees on a general and random basis, without any requirement of  
27 a formal complaint or suspicion of impropriety on the part of any  
28 particular licensee. If as a result of such review the board discovers  
29 reasonable grounds for a more specific investigation, the board may  
30 proceed under its investigative and disciplinary rules.

1       **Sec. 5.** RCW 18.04.055 and 1986 c 295 s 4 are each amended to read  
2 as follows:

3       The board may adopt and amend rules under chapter 34.05 RCW for the  
4 orderly conduct of its affairs. The board shall prescribe rules  
5 consistent with this chapter as necessary to implement this chapter.  
6 Included may be:

7       (1) Rules of procedure to govern the conduct of matters before the  
8 board;

9       (2) Rules of professional conduct for all certificate and license  
10 holders, in order to establish and maintain high standards of  
11 competence and ((integrity in the profession)) ethics of certified  
12 public accountants including rules dealing with independence,  
13 integrity, objectivity, and freedom from conflicts of interest;

14       (3) Rules specifying actions and circumstances deemed to constitute  
15 holding oneself out as a licensee in connection with the practice of  
16 public accountancy;

17       (4) Rules specifying the manner and circumstances of the use of the  
18 titles "certified public accountant" and "CPA", by holders of  
19 certificates who do not also hold licenses under this chapter;

20       (5) Educational requirements to ~~((set for an))~~ take the certified  
21 public accountant examination or for the issuance of the certificate or  
22 license of certified public accountant;

23       ~~((+4))~~ (6) Rules designed to ensure that certified public  
24 accountants' "~~((opinions))~~ reports on financial statements" meet the  
25 definitional requirements for that term as specified in RCW 18.04.025;

26       ~~((+5))~~ (7) Requirements for continuing professional education to  
27 maintain or improve the professional competence of certificate and  
28 license holders as a condition to maintaining their certificate or  
29 license to practice under RCW 18.04.215;



1       (~~(6) Regulations~~) (8) Rules governing sole proprietors,  
2 partnerships, and corporations practicing public accounting including,  
3 but not limited to, rules concerning their style, name, title, and  
4 affiliation with any other organization, and establishing reasonable  
5 practice standards to protect the public interest;

6       (~~(7)~~) (9) The board may by rule implement a quality assurance  
7 review program as a means to monitor licensees' quality of practice and  
8 compliance with professional standards. The board may exempt from such  
9 program, licensees who undergo periodic (~~(peer)~~) quality reviews in  
10 programs of the American Institute of Certified Public Accountants,  
11 National Association of State Boards of Accountancy, or other programs  
12 recognized and approved by the board (~~(by rule.)~~);

13       (~~(8)~~) (10) The board may by rule require firms to obtain  
14 professional liability insurance if in the board's discretion such  
15 insurance provides additional and necessary protection for the public;  
16 and

17       (~~(9)~~) (11) Any other rule which the board finds necessary or  
18 appropriate to implement this chapter.

19       **Sec. 6.** RCW 18.04.065 and 1983 c 234 s 24 are each amended to read  
20 as follows:

21       The board shall set its fees at a level adequate to pay the costs  
22 of administering this chapter. Beginning in the 1993-95 biennium, all  
23 fees for certified public accountants' licenses, certificates, renewals  
24 of licenses, renewals of certificates, and delinquent filings received  
25 under the authority of this chapter shall be deposited in the certified  
26 public accountants' account created by RCW 18.04.105. Appropriation  
27 from such account shall be made only for the cost of administering the  
28 provisions of this chapter. On July 1, 1993, all existing general fund

1 appropriations in excess of expenditures for the board's operations  
2 shall be transferred to the certified public accountants' account.

3 **Sec. 7.** RCW 18.04.105 and 1991 sp.s. c 13 s 20 are each amended to  
4 read as follows:

5 (1) The certificate of "certified public accountant" shall be  
6 granted by the board to any person:

7 (a) Who is of good character. Good character, for purposes of this  
8 section, means lack of a history of dishonest or felonious acts. The  
9 board may refuse to grant a certificate on the ground of failure to  
10 satisfy this requirement only if there is a substantial connection  
11 between the lack of good character of the applicant and the  
12 professional responsibilities of a ~~((licensee))~~ certified public  
13 accountant and if the finding by the board of lack of good character is  
14 supported by a preponderance of evidence. When an applicant is found  
15 to be unqualified for a certificate because of a lack of good  
16 character, the board shall furnish the applicant a statement containing  
17 the findings of the board and a notice of the applicant's right of  
18 appeal;

19 (b) Who has met ~~((such))~~ the educational ~~((standards established by~~  
20 ~~rule as the board determines to be appropriate))~~ requirements for a  
21 certificate, that must be met according to board rule before an  
22 applicant is eligible to apply for the examination prescribed in (c) of  
23 this subsection, that are as follows:

24 (i) During the eight-year period immediately following the  
25 effective date of this act, the CPA candidate must have a baccalaureate  
26 degree conferred by a college or university acceptable to the board,  
27 with an accounting concentration or equivalent as determined by board  
28 rule to be appropriate;

1       (ii) After the expiration of the eight-year period immediately  
2 following the effective date of this act, the CPA candidate must have  
3 at least one hundred fifty semester hours of college education  
4 including a baccalaureate or higher degree, conferred by a college or  
5 university acceptable to the board, the total educational program to  
6 include an accounting concentration or equivalent as determined by  
7 board rule to be appropriate; ((and))

8       The board may, in its discretion, waive the educational  
9 requirements for any person if it is satisfied through review of  
10 documentation of successful completion of an equivalency examination  
11 that the person's educational qualifications are an acceptable  
12 substitute for the requirements of (b)(i) or (ii) of this subsection;  
13 and

14       (c) ~~Who has passed a written examination ((in accounting, auditing,~~  
15 ~~and related subjects the board determines to be appropriate)).~~

16       (2) ~~The examination described in subsection (1)(c) of this section~~  
17 ~~shall be ((held by the board and shall take place as often as the board~~  
18 ~~determines to be desirable, but at least once a year. The board may~~  
19 ~~use all or any part of the examination or grading service of the~~  
20 ~~American Institute of Certified Public Accountants or National~~  
21 ~~Association of State Boards of Accountancy to assist it in performing~~  
22 ~~its duties under this chapter)) in writing, shall be held twice a year,~~  
23 ~~and shall test the applicant's knowledge of the subjects of accounting~~  
24 ~~and auditing, and other related fields the board may specify by rule.~~  
25 The time for holding the examination is fixed by the board and may be  
26 changed from time to time. The board shall prescribe by rule the  
27 methods of applying for and taking the examination, including methods  
28 for grading papers and determining a passing grade required of an  
29 applicant for a certificate. The board shall to the extent possible  
30 see to it that the grading of the examination, and the passing grades,

1 are uniform with those applicable to all other states. The board may  
2 make use of all or a part of the uniform certified public accountant  
3 examination and advisory grading service of the American Institute of  
4 Certified Public Accountants and may contract with third parties to  
5 perform administrative services with respect to the examination as the  
6 board deems appropriate to assist it in performing its duties under  
7 this chapter.

8 ~~(3) ((The board may, by rule, provide for granting credit to a~~  
9 ~~person for satisfactory completion of a written examination in any one~~  
10 ~~or more of the subjects specified in subsection (1)(c) of this section~~  
11 ~~given by the licensing authority in any other state. These rules shall~~  
12 ~~include requirements the board determines to be appropriate in order~~  
13 ~~that any examination approved as a basis for any credit shall, in the~~  
14 ~~judgment of the board, be at least as thorough as the most recent~~  
15 ~~examination given by the board at the time credit is granted)) An~~  
16 applicant is required to pass all sections of the examination provided  
17 for in subsection (2) of this section in order to qualify for a  
18 certificate. If at a given sitting of the examination an applicant  
19 passes two or more but not all sections, then the applicant shall be  
20 given credit for those sections that he or she passed, and need not  
21 take those sections again: PROVIDED, That:

22 (a) The applicant took all sections of the examination at that  
23 sitting;

24 (b) The applicant attained a minimum grade of fifty on each section  
25 not passed at that sitting;

26 (c) The applicant passes the remaining sections of the examination  
27 within six consecutive examinations given after the one at which the  
28 first sections were passed;

1 (d) At each subsequent sitting at which the applicant seeks to pass  
2 additional sections, the applicant takes all sections not yet passed;  
3 and

4 (e) In order to receive credit for passing additional sections in  
5 a subsequent sitting, the applicant attains a minimum grade of fifty on  
6 sections written but not passed on the sitting.

7 ~~(4) ((The board may, by rule, prescribe the terms and conditions~~  
8 ~~under which a person who passes the examination in one or more of the~~  
9 ~~subjects indicated in subsection (1)(c) of this section may be~~  
10 ~~reexamined in only the remaining subjects, giving credit for the~~  
11 ~~subjects previously passed. It may also provide by rule for a~~  
12 ~~reasonable waiting period for a person's reexamination in a subject he~~  
13 ~~or she has failed. A person is entitled to any number of~~  
14 ~~reexaminations, subject to this subsection and any other rules adopted~~  
15 ~~by the board.~~

16 ~~(5) A person passing the examination in any one or more subjects~~  
17 ~~specified in subsection (1)(c) of this section shall meet the~~  
18 ~~educational requirements of subsection (1)(b) of this section in effect~~  
19 ~~on the date the person successfully completes the requirements of~~  
20 ~~subsection (1)(c) of this section. The board may provide, by rule, for~~  
21 ~~exceptions to prevent what it determines to be undue hardship to~~  
22 ~~applicants)) The board may waive or defer any of the requirements of~~  
23 ~~subsection (3) of this section for candidates transferring conditional~~  
24 ~~CPA exam credits from other states or for qualifying reciprocity~~  
25 ~~certification applicants who met the conditioning requirements of the~~  
26 ~~state or foreign jurisdiction issuing their original certificate.~~

27 ~~((+6))~~ (5) The board shall charge each applicant an examination  
28 fee for the initial examination under subsection (1) of this section,  
29 or for reexamination under subsection ((+4)) (3) of this section for  
30 each subject in which the applicant is reexamined. The applicable fee

1 shall be paid by the person at the time he or she applies for  
2 examination, reexamination, or evaluation of educational  
3 qualifications. Fees for examination, reexamination, or evaluation of  
4 educational qualifications shall be determined by the board under  
5 chapter 18.04 RCW. There is established in the state treasury an  
6 account to be known as the certified public accountants' account. All  
7 fees received from candidates to take any or all sections of the  
8 certified public accountant examination shall be used only for costs  
9 related to the examination.

10 ~~((7))~~ (6) Persons who on June 30, 1986, held certified public  
11 accountant certificates previously issued under the laws of this state  
12 shall not be required to obtain additional certificates under this  
13 chapter, but shall otherwise be subject to this chapter. Certificates  
14 previously issued shall, for all purposes, be considered certificates  
15 issued under this chapter and subject to its provisions.

16 ~~((8) Persons who held qualifications as licensed public  
17 accountants but who do not hold annual permits to practice on July 1,  
18 1983, are not entitled to engage in the practice of public accounting  
19 under this chapter. No person shall use the term "licensed public  
20 accountant" or the designation "LPA."~~

21 ~~(9))~~ (7) A certificate of a "certified public accountant" under  
22 this chapter is issued on a biennial basis with renewal subject to  
23 requirements of continuing professional education and payment of fees,  
24 prescribed by the board.

25 ~~((10))~~ (8) The board shall adopt rules providing for continuing  
26 professional education for certified public accountants. The rules  
27 shall:

28 (a) Provide that a certified public accountant ~~((holding a  
29 certificate on July 1, 1986,))~~ shall verify to the board that he or she  
30 has completed at least ~~((ten days or))~~ an accumulation of eighty hours

1 of continuing professional education during the last two-year period to  
2 maintain the certificate;

3 (b) Establish continuing professional education requirements;

4 (c) Establish when newly certificated public accountants shall  
5 verify that they have completed the required continuing professional  
6 education; and

7 ~~(d) ((Establish proceedings for revocation, suspension, and  
8 reinstatement of certificates for failure to meet the continuing  
9 professional education requirement.~~

10 ~~((11)))~~ Provide that failure to furnish verification of the  
11 completion of the continuing professional education requirement  
12 ((constitutes grounds for revocation, suspension, or failure to renew  
13 the certificate)) shall make the certificate invalid and subject to  
14 reinstatement, unless the board determines that the failure was due to  
15 retirement, reasonable cause, or excusable neglect.

16 (9)(a) The board of accountancy shall assess a surcharge equal to  
17 fifteen percent of the license fee, or the amount determined under (d)  
18 of this subsection, for each license issued or renewed, to be used for  
19 financial assistance for economically disadvantaged ethnic minority and  
20 other economically disadvantaged students in accountancy programs in  
21 their last thirty semester hours or equivalent of college education.  
22 The surcharge in this subsection shall be deposited in the accountancy  
23 financial assistance account created in this section.

24 (b) The accountancy financial assistance account is hereby created  
25 in the custody of the state treasurer. All receipts from the surcharge  
26 assessed in (a) of this subsection shall be deposited into the account.  
27 Expenditures from the account may be used only to provide financial  
28 assistance to economically disadvantaged ethnic minority and other  
29 economically disadvantaged students in accountancy programs in their  
30 last thirty semester hours or equivalent of college. Only the

1 executive director of the higher education coordinating board or the  
2 executive director's designee may authorize expenditures from the  
3 account. The account is subject to allotment procedures under chapter  
4 43.88 RCW, but no appropriation is required for expenditures.

5 (c) Funds in the accountancy financial assistance account shall be  
6 distributed among the four-year public institutions of higher education  
7 offering degrees in accountancy or the equivalent proportionate to the  
8 number of economically disadvantaged ethnic minority and other  
9 economically disadvantaged students in the last thirty semester or  
10 equivalent hours of each institution's accountancy program.

11 (d) By August 1st of each odd-numbered year, the office of  
12 financial management shall determine the balance in the accountancy  
13 financial assistance account as of the end of the biennium. Balance  
14 determinations by the office of financial management are final. If  
15 funds in the account exceed five hundred thousand dollars, the board of  
16 accountancy shall adjust, by rule, the amount of the surcharge in (a)  
17 of this subsection to be assessed for each license issued or renewed to  
18 maintain the balance in the account at five hundred thousand dollars.  
19 Any adjustments to the surcharge shall be effective January 1st of  
20 even-numbered years. If the board adjusts the surcharge, by August 1st  
21 of each subsequent odd-numbered year, the higher education coordinating  
22 board shall report to the legislature on the amount existing in the  
23 account.

24 **Sec. 8.** RCW 18.04.180 and 1949 c 226 s 17 are each amended to read  
25 as follows:

26 The board shall ~~((authorize the issuance of a certificate as~~  
27 ~~certified public accountant to any person who is the holder of a~~  
28 ~~certificate, license, permit or degree authorizing him to practice as~~  
29 ~~a certified public accountant in any state, territory, or possession of~~



1 ~~the United States, providing the requirements which such person has~~  
2 ~~been called upon to meet in order to obtain such certificate, license,~~  
3 ~~permit or degree were at least the equivalent of those for obtaining a~~  
4 ~~certificate to practice as a certified public accountant in this state:~~  
5 ~~AND PROVIDED, FURTHER, That such state, territory or possession makes~~  
6 ~~similar provision to authorize a person who holds a valid certificate~~  
7 ~~to practice in this state as a certified public accountant to practice~~  
8 ~~in such state, territory or possession as a certified public~~  
9 ~~accountant)) issue a certificate to a holder of a certificate issued by~~  
10 ~~another state, or shall issue a certificate and license to a holder of~~  
11 ~~a certificate/valid license issued by another state that entitles the~~  
12 ~~holder to practice public accountancy, provided that:~~

13 (1) Such state makes similar provision to grant reciprocity to a  
14 holder of a certificate or certificate and valid license in this state;  
15 and

16 (2) The applicant meets the continuing professional education  
17 requirements of RCW 18.04.105(8); and

18 (3) If the application is for a certificate only:

19 (a) The applicant passed the examination required for issuance of  
20 his or her certificate with grades that would have been passing grades  
21 at that time in this state; and

22 (b) The applicant: Meets all current requirements in this state  
23 for issuance of a certificate at the time application is made; or at  
24 the time of the issuance of the applicant's certificate in the other  
25 state, met all the requirements then applicable in this state; or

26 (4) If the application is for a certificate and license:

27 (a) The applicant passed the examination required for issuance of  
28 his or her certificate with grades that would have been passing grades  
29 at that time in this state; and

1       (b) The applicant: Meets all current requirements in this state  
2 for issuance of a license at the time application is made; or at the  
3 time of the issuance of the applicant's license in the other state, met  
4 all the requirements then applicable in this state; or has had five  
5 years of experience within the ten years immediately preceding  
6 application in the practice of public accountancy that meets the  
7 requirements prescribed by the board.

8       **Sec. 9.** RCW 18.04.205 and 1986 c 295 s 9 are each amended to read  
9 as follows:

10       (1) Each office established or maintained in this state for the  
11 practice of public accounting in this state by a certified public  
12 accountant, or a partnership or corporation of certified public  
13 accountants, shall register with the board under this chapter  
14 biennially.

15       (2) Each office shall be under the direct supervision of a resident  
16 licensee holding a license (~~((to practice))~~) under RCW 18.04.215 who may  
17 be a sole proprietor, partner, principal shareholder, or a staff  
18 employee.

19       (3) The board shall by rule prescribe the procedure to be followed  
20 to register and maintain offices established in this state for the  
21 practice of public accounting.

22       (4) Fees for the registration of offices shall be determined by the  
23 board. Fees shall be paid by the applicant at the time the  
24 registration form is filed with the board.

25       **Sec. 10.** RCW 18.04.215 and 1986 c 295 s 10 are each amended to  
26 read as follows:

27       (1) Biennial licenses (~~((to engage in the practice of public~~  
28 ~~accounting in this state))~~) shall be issued by the board:

1 (a) To holders of certificates as certified public accountants who  
2 have demonstrated, in accordance with rules issued by the board, one  
3 year of public accounting experience, or such other experience or  
4 employment which the board in its discretion regards as substantially  
5 equivalent and who, if their certificate was issued more than forty-  
6 eight months prior to application under this section, submit to the  
7 board satisfactory proof of having completed an accumulation of eighty  
8 hours of continuing professional education during the twenty-four  
9 months preceding the application;

10 (b) To firms under RCW 18.04.195, if all offices of the firm in  
11 this state are maintained and registered as required under RCW  
12 18.04.205.

13 ~~(2) ((All licenses to practice issued to persons born in an even-~~  
14 ~~numbered year expire on the last day of June of each even-numbered~~  
15 ~~year. All licenses to practice issued to persons born in an odd-~~  
16 ~~numbered year expire on the last day of June of each odd-numbered year.~~  
17 ~~Renewals of licenses to practice issued to individuals under subsection~~  
18 ~~(1)(a) of this section shall be issued in accordance with subsection~~  
19 ~~(4) of this section.))~~ The board shall, by rule, provide for a system  
20 of certificate and license renewal. Applicants for issuance or renewal  
21 of certificates or licenses shall, at the time of filing their  
22 applications, list with the board all states and foreign jurisdictions  
23 in which they hold or have applied for certificates, permits or  
24 licenses to practice.

25 (3) A certified public accountant who holds a permit or license  
26 issued by another state, and applies for a license in this state, may  
27 practice in this state from the date of filing a completed application  
28 with the board, until the board has acted upon the application provided  
29 the application is made prior to holding out as a certified public  
30 accountant in this state and no sanctions or investigations, deemed by

1 the board to be pertinent to public accountancy, by other jurisdictions  
2 or agencies are in process.

3 (4) (~~As a prerequisite to renewal of a license, a person~~  
4 ~~practicing public accounting~~) A certified public accountant shall  
5 submit to the board satisfactory proof of having completed (~~ten days~~  
6 ~~or~~) an accumulation of eighty hours of continuing education recognized  
7 and approved by the board during the preceding two years. Failure to  
8 furnish this evidence as required (~~constitutes grounds for revocation,~~  
9 ~~suspension, or refusal to renew the license in a proceeding under RCW~~  
10 ~~18.04.295~~) shall make the certificate invalid and subject to  
11 reinstatement procedures, unless the board determines the failure to  
12 have been due to retirement, reasonable cause, or excusable neglect.

13 The board in its discretion may renew a (~~biennial~~) certificate or  
14 license (~~to practice~~) despite failure to furnish evidence of  
15 compliance with requirements of continuing professional education upon  
16 condition that the applicant follow a particular program of continuing  
17 professional education. In issuing rules and individual orders with  
18 respect to continuing professional education requirements, the board,  
19 among other considerations, may rely upon guidelines and pronouncements  
20 of recognized educational and professional associations, may prescribe  
21 course content, duration, and organization, and may take into account  
22 the accessibility of continuing education to applicants and instances  
23 of individual hardship.

24 (5) Fees for (~~biennial~~) issuance or renewal of certificates and  
25 licenses (~~to engage in the practice of public accounting~~) in this  
26 state shall be determined by the board under chapter 18.04 RCW. Fees  
27 shall be paid by the applicant at the time the application form is  
28 filed with the board. The board, by rule, may provide for proration of  
29 fees for certificates and licenses issued between normal renewal dates.

1       **Sec. 11.** RCW 18.04.295 and 1986 c 295 s 11 are each amended to  
2 read as follows:

3       The board of accountancy shall have the power to revoke, suspend,  
4 ~~((or))~~ refuse to renew a certificate or license, and may impose a fine  
5 in an amount not to exceed one thousand dollars plus the board's  
6 investigative and legal costs in bringing charges against a certified  
7 public accountant, or impose conditions precedent to renewal of the  
8 certificate or license of any certified public accountant for any of  
9 the following causes:

10       (1) Fraud or deceit in obtaining a certificate as a certified  
11 public accountant, or in obtaining a license ~~((to practice public~~  
12 ~~accounting under RCW 18.04.215))~~;

13       (2) Dishonesty, fraud, or negligence ~~((in the practice of public~~  
14 ~~accounting))~~ while representing oneself as a CPA;

15       (3) A violation of any provision of this chapter;

16       (4) A violation of a rule of professional conduct promulgated by  
17 the board under the authority granted by this chapter;

18       (5) Conviction of a crime or an act constituting a crime under:

19       (a) The laws of this state;

20       (b) The laws of another state, and which, if committed within this  
21 state, would have constituted a crime under the laws of this state; or

22       (c) Federal law;

23       (6) Cancellation, revocation, suspension, or refusal to renew the  
24 authority to practice as a certified public accountant by any other  
25 state for any cause other than failure to pay a fee or to meet the  
26 requirements of continuing education in the other state;

27       (7) Suspension or revocation of the right to practice matters  
28 relating to public accounting before any state or federal agency;

1 For purposes of subsections (6) and (7) of this section, a  
2 certified copy of such revocation, suspension, or refusal to renew  
3 shall be prima facie evidence;

4 (8) Failure to maintain compliance with the requirements for  
5 issuance, renewal, or reinstatement of the certificate or license, or  
6 to report changes to the board;

7 (9) Failure to cooperate with the board by:

8 (a) Failure to furnish any papers or documents requested or ordered  
9 by the board;

10 (b) Failure to furnish in writing a full and complete explanation  
11 covering the matter contained in the complaint filed with the board or  
12 the inquiry of the board;

13 (c) Failure to respond to subpoenas issued by the board, whether or  
14 not the recipient of the subpoena is the accused in the proceeding.

15 **Sec. 12.** RCW 18.04.305 and 1986 c 295 s 12 are each amended to  
16 read as follows:

17 The board of accountancy may revoke, suspend, or refuse to renew  
18 the license issued to a firm if at any time the firm does not meet the  
19 requirements of this chapter for licensing, or for any of the causes  
20 enumerated in RCW 18.04.295, or for any of the following additional  
21 causes:

22 (1) The revocation or suspension of the certificate as a certified  
23 public accountant or the revocation or suspension or refusal to renew  
24 the certificate or license of any partner or shareholder; or

25 (2) The revocation, suspension, or refusal to renew the license or  
26 permit of the firm, or any partner or shareholder thereof, to practice  
27 public accounting in any other state or foreign jurisdiction for any  
28 cause other than failure to pay a fee or to meet the requirements of

1 continuing professional education in the other state or foreign  
2 jurisdiction.

3 **Sec. 13.** RCW 18.04.335 and 1986 c 295 s 14 are each amended to  
4 read as follows:

5 Upon application in writing and after hearing pursuant to notice,  
6 the board may:

7 ~~(1) ((Reissue a certificate to a certified public accountant))~~  
8 Modify the suspension of, or reissue a certificate or license to, an  
9 individual whose certificate has been revoked or suspended; or

10 (2) Modify the suspension of, or reissue ~~((any))~~ a license to  
11 ~~((practice which))~~ a firm whose license has been revoked, suspended, or  
12 which the board has refused to renew.

13 **Sec. 14.** RCW 18.04.345 and 1986 c 295 s 15 are each amended to  
14 read as follows:

15 (1) No person may ~~((hold himself or herself out to the public, or))~~  
16 assume or use the designation "certified public accountant" or "CPA" or  
17 any other title, designation, words, letters, abbreviation, sign, card,  
18 or device tending to indicate that the person is a certified public  
19 accountant or CPA unless the person ~~((has received a))~~ holds a valid  
20 certificate as a certified public accountant~~((, holds a valid license~~  
21 ~~to practice under RCW 18.04.215, and all of the person's offices in~~  
22 ~~this state for the practice of public accounting are maintained and~~  
23 ~~registered under RCW 18.04.205))~~.

24 (2) No person may hold himself or herself out to the public and  
25 assume or use the designation "certified public accountant" or "CPA" or  
26 any other title, designation, words, letters, abbreviation, sign, card,  
27 or devise tending to indicate that the person is a certified public  
28 accountant or CPA unless the person holds a valid certificate as a

1 certified public accountant and holds a valid license to practice under  
2 RCW 18.04.215.

3       (3) No firm may hold itself out to the public, or assume or use the  
4 designation "certified public accountant" or "CPA" or any other title,  
5 designation, words, letters, abbreviation, sign, card, or device  
6 tending to indicate that the firm is composed of certified public  
7 accountants or CPAs, unless the firm is licensed under RCW 18.04.195,  
8 holds a valid license to practice under RCW 18.04.215, and all offices  
9 of the firm in this state for the practice of public accounting are  
10 maintained and registered under RCW 18.04.205.

11       (~~(3)~~) (4) No person, partnership, or corporation may hold  
12 himself, herself, or itself out to the public, or assume or use along,  
13 or in connection with his, hers, or its name, or any other name the  
14 title or designation "certified accountant," "chartered accountant,"  
15 "licensed accountant," "licensed public accountant," "public  
16 accountant," or any other title or designation likely to be confused  
17 with "certified public accountant" or any of the abbreviations "CA,"  
18 "LA," "LPA," or "PA," or similar abbreviations likely to be confused  
19 with "CPA." However, nothing in this chapter prohibits use of the  
20 title "accountant" by any person regardless of whether the person has  
21 been granted a certificate or holds a license under this chapter.

22       (~~(4)~~) (5) No person may sign, affix, or associate his or her name  
23 or any trade or assumed name used by the person in his or her business  
24 to any report designated as an "audit," "review," or "compilation,"  
25 unless the person holds a biennial license to practice under RCW  
26 18.04.215 and all of the person's offices in this state for the  
27 practice of public accounting are maintained and licensed under RCW  
28 18.04.205.

29       (~~(5)~~) (6) No person may sign, affix, or associate a firm name to  
30 any report designated as an "audit," "review," or "compilation," unless



1 the firm is licensed under RCW 18.04.195 and 18.04.215, and all of its  
2 offices in this state for the practice of public accounting are  
3 maintained and registered under RCW 18.04.205.

4 ~~((6))~~ (7) No person, partnership, or corporation not holding a  
5 license to practice under RCW 18.04.215 may hold himself, herself, or  
6 itself out to the public as an "auditor" with or without any other  
7 description or designation by use of such word on any sign, card,  
8 letterhead, or in any advertisement or directory.

9 ~~((7) Nothing contained in this chapter prohibits any person who is  
10 the holder of a valid certified public accountant certificate from  
11 assuming or using the designation "certified public accountant" or  
12 "CPA" or any other title, designation, words, letters, sign, card, or  
13 device tending to indicate that the person is a certified public  
14 accountant.))~~

15 (8) No person may assume or use the designation "certified public  
16 accountant" or "CPA" in conjunction with names indicating or implying  
17 that there is a partnership or corporation, if there is in fact no bona  
18 fide partnership or corporation registered under RCW 18.04.195.

19 (9) No person, partnership, or corporation holding a license under  
20 RCW 18.04.215 may hold himself, herself, or itself out to the public in  
21 conjunction with the designation "and Associates" or "and Assoc."  
22 unless he or she has in fact a partner or employee who holds a license  
23 under RCW 18.04.215.

24 ~~((10) No person, partnership, or corporation may hold himself,  
25 herself, or itself out to the public for the practice of public  
26 accounting unless the person, partnership, or corporation holds a  
27 license to practice under RCW 18.04.215 and all of his or its offices  
28 in this state are maintained and registered under RCW 18.04.205.))~~

1       **Sec. 15.** RCW 18.04.350 and 1986 c 295 s 16 are each amended to  
2 read as follows:

3       (1) Nothing in this chapter prohibits any person not a certified  
4 public accountant from serving as an employee of, or as assistant to,  
5 a certified public accountant or partnership composed of certified  
6 public accountants or corporation of certified public accountants  
7 holding a valid license under RCW 18.04.215. However, the employee or  
8 assistant shall not issue any accounting or financial statement over  
9 his or her name.

10       (2) Nothing in this chapter prohibits a certified public accountant  
11 registered in another state, or any accountant of a foreign country  
12 holding a certificate, degree or license which permits him to practice  
13 therein from temporarily practicing in this state on professional  
14 business incident to his regular practice.

15       (3) Nothing in this chapter prohibits a certified public  
16 accountant, a partnership, or corporation of certified public  
17 accountants, or any of their employees from disclosing any data in  
18 confidence to other certified public accountants, quality or peer  
19 review teams, partnerships, or corporations of public accountants or to  
20 the board or any of its employees engaged in conducting quality,  
21 quality assurance, or peer reviews, or any one of their employees in  
22 connection with quality or peer reviews of that accountant's accounting  
23 and auditing practice conducted under the auspices of recognized  
24 professional associations.

25       (4) Nothing in this chapter prohibits a certified public  
26 accountant, a partnership, or corporation of certified public  
27 accountants, or any of their employees from disclosing any data in  
28 confidence to any employee, representative, officer, or committee  
29 member of a recognized professional association, or to the board of  
30 accountancy, or any of its employees or committees in connection with

1 a professional investigation held under the auspices of recognized  
2 professional associations or the board of accountancy.

3 (5) Nothing in this chapter prohibits any officer, employee,  
4 partner, or principal of any organization:

5 (a) From affixing his or her signature to any statement or report  
6 in reference to the affairs of the organization with any wording  
7 designating the position, title, or office which he or she holds in the  
8 organization; or

9 (b) From describing himself or herself by the position, title, or  
10 office he or she holds in such organization.

11 (6) Nothing in this chapter prohibits any person, or partnership or  
12 corporation composed of persons not holding a license under RCW  
13 18.04.215 from offering or rendering to the public bookkeeping,  
14 accounting, ~~((and))~~ tax services, ~~((including))~~ the devising and  
15 installing of financial information systems, ((financial information or  
16 data, or preparing financial)) management advisory, or consulting  
17 services, the preparation of tax returns, or the furnishing of advice  
18 on tax matters, the preparation of financial statements, written  
19 statements describing how such financial statements were prepared, or  
20 similar services, provided that persons, partnerships, or corporations  
21 not holding a license under RCW 18.04.215 who offer or render these  
22 services do not designate any written statement as an "audit report,"  
23 "review report," or "compilation report," do not issue any written  
24 statement which purports to express or disclaim an opinion on financial  
25 statements which have been audited, and do not issue any written  
26 statement which expresses assurance on financial statements which have  
27 been reviewed.

28 (7) Nothing in this chapter prohibits any act of or the use of any  
29 words by a public official or a public employee in the performance of  
30 his or her duties.

1       (8) Nothing contained in this chapter prohibits any person who  
2 holds only a valid certified public accountant certificate from  
3 assuming or using the designation "certified public accountant" or  
4 "CPA" or any other title, designation, words, letters, sign, card, or  
5 device tending to indicate the person is a certified public accountant,  
6 provided, that such person shall not hold himself or herself out to the  
7 public as engaged in the practice of public accounting unless that  
8 person holds a valid license in addition to the certificate under RCW  
9 18.04.215.

10       **Sec. 16.** RCW 18.04.390 and 1986 c 295 s 18 are each amended to  
11 read as follows:

12       (1) In the absence of an express agreement between the certified  
13 public accountant and the client to the contrary, all statements,  
14 records, schedules, working papers, and memoranda made by a certified  
15 public accountant incident to or in the course of professional service  
16 to clients, except reports submitted by a certified public accountant  
17 to a client, are the property of the certified public accountant.

18       (2) No statement, record, schedule, working paper, or memorandum  
19 may be sold, transferred, or bequeathed without the consent of the  
20 client or his or her personal representative or assignee, to anyone  
21 other than one or more surviving partners, shareholders, or new  
22 partners or new shareholders of the accountant or corporation, or any  
23 combined or merged partnership or corporation, or successor in  
24 interest.

25       (3) A licensee shall furnish to the board or to his or her client  
26 or former client, upon request and reasonable notice:

27       (a) A copy of the licensee's working papers, to the extent that  
28 such working papers include records that would ordinarily constitute

1 part of the client's records and are not otherwise available to the  
2 client; and

3 (b) Any accounting or other records belonging to, or obtained from  
4 or on behalf of, the client that the licensee removed from the client's  
5 premises or received for the client's account; the licensee may make  
6 and retain copies of such documents of the client when they form the  
7 basis for work done by him or her.

8 (4) Nothing in this section shall require a licensee to keep any  
9 work paper beyond the period prescribed in any other applicable  
10 statute.

11 **Sec. 17.** RCW 18.04.405 and 1986 c 295 s 19 are each amended to  
12 read as follows:

13 (1) A certified public accountant, a partnership or corporation of  
14 certified public accountants, or any of their employees shall not  
15 disclose any confidential information obtained in the course of a  
16 professional transaction except with the consent of the client or  
17 former client or as disclosure may be required by law, legal process,  
18 the standards of the profession, or as disclosure of confidential  
19 information is permitted by RCW 18.04.350 (3) and (4), 18.04.295(8),  
20 18.04.390, and this section in connection with quality, quality  
21 assurance, or peer reviews ((and)), investigations, and any proceeding  
22 under chapter 34.05 RCW.

23 (2) This section shall not be construed as limiting the authority  
24 of this state or of the United States or an agency of this state, the  
25 board, or of the United States to subpoena and use such information in  
26 connection with any investigation, public hearing, or other proceeding,  
27 nor shall this section be construed as prohibiting a certified public  
28 accountant whose professional competence has been challenged in a court  
29 of law or before an administrative agency from disclosing confidential

1 information as a part of a defense to the court action or  
2 administrative proceeding.

3 (3) The proceedings, records, and work papers of a review committee  
4 shall be privileged and shall not be subject to discovery, subpoena, or  
5 other means of legal process or introduction into evidence in any civil  
6 action, arbitration, administrative proceeding, or state accountancy  
7 board proceeding and no member of the review committee or person who  
8 was involved in the quality review process shall be permitted or  
9 required to testify in any such civil action, arbitration,  
10 administrative proceeding, or state accountancy board proceeding as to  
11 any matter produced, presented, disclosed, or discussed during or in  
12 connection with the quality review process, or as to any findings,  
13 recommendations, evaluations, opinions, or other actions of such  
14 committees, or any members thereof. Information, documents, or records  
15 that are publicly available are not to be construed as immune from  
16 discovery or use in any civil action, arbitration, administrative  
17 proceeding, or state accountancy board proceeding merely because they  
18 were presented or considered in connection with the quality review  
19 process.

20 NEW SECTION. Sec. 18. A new section is added to chapter 18.04 RCW  
21 to read as follows:

22 The board shall grant a certificate or license as a certified  
23 public accountant to a holder of a permit, license, or certificate  
24 issued by a foreign country's board, agency, or institute, provided  
25 that:

26 (1) The foreign country where the foreign permit, license, or  
27 certificate was issued is a party to an agreement on trade with the  
28 United States that encourages the mutual recognition of licensing and

1 certification requirements for the provision of covered services by the  
2 parties under the trade agreement; and

3 (2) Such foreign country's board, agency, or institute makes  
4 similar provision to allow a person who holds a valid certificate  
5 issued by this state to obtain such foreign country's comparable  
6 permit, license, or certificate; and

7 (3) The foreign permit, license, or certificate:

8 (a) Was duly issued by such foreign country's board, agency, or  
9 institute that regulates the practice of public accountancy; and

10 (b) Is in good standing at the time of the application; and

11 (c) Was issued upon the basis of educational, examination, and  
12 ethical requirements substantially equivalent currently or at the time  
13 of issuance of the foreign permit, license, or certificate to those in  
14 this state; and

15 (4) The applicant has within the twenty-four months prior to  
16 application completed an accumulation of eighty hours of continuing  
17 professional education as required under RCW 18.04.105(8); and

18 (5) If the application is for a certificate:

19 (a) The applicant's foreign permit, license, or certificate was the  
20 type of permit, license, or certificate requiring the most stringent  
21 qualifications if, in the foreign country, more than one type of  
22 permit, license, or certificate is issued. This state's board shall  
23 decide which are the most stringent qualifications; and

24 (b) The applicant has passed a written examination or its  
25 equivalent, approved by the board, that tests knowledge in the areas of  
26 United States accounting principles, auditing standards, commercial  
27 law, income tax law, and Washington state rules of professional ethics;  
28 or

29 (6) If the application is for a certificate and license:

1 (a) The requirements of subsections (1) through (5) of this section  
2 are satisfied; and

3 (b) The applicant has within the five years prior to applying for  
4 the certificate and license under this section, demonstrated, in  
5 accordance with the rules issued by the board, one year of public  
6 accounting experience, within the foreign country where the foreign  
7 permit, license, or certificate was issued, equivalent to the  
8 experience required under RCW 18.04.215(1)(a) or such other experience  
9 or employment which the board in its discretion regards as  
10 substantially equivalent.