

# SENATE BILL REPORT

## SB 5773

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As Reported By Senate Committee On:  
Financial Services, Insurance & Housing, February 27, 2003

**Title:** An act relating to accountability requirements under the public accountancy act.

**Brief Description:** Modifying accountability requirements under the public accountancy act.

**Sponsors:** Senators Carlson, Zarelli and Esser.

**Brief History:**

**Committee Activity:** Financial Services, Insurance & Housing: 2/27/03 [DP].

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### SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

**Majority Report:** Do pass.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Keiser, Prentice and Zarelli.

**Staff:** Elizabeth Mitchell (786-7430)

**Background:** The Board of Accountancy regulates the profession of accounting at both the business and the individual level.

Licensed accounting firms must meet certain requirements, including a requirement that a simple majority of the owners of a licensed firm must hold individual accounting licenses. Licensed firms that fall out of compliance with licensing requirements due to changes in ownership or personnel must notify the board within 30 days.

The board may impose a fine of up to \$10,000 for prohibited actions.

**Summary of Bill:** Licensed accounting firms, certificate holders, and nonlicensee owners must notify the board within 30 days after receiving a sanction, suspension, revocation, or modification of their practice rights from the Internal Revenue Service, the Securities and Exchange Commission, or another state board of accountancy. Licensed firms, certificate holders and nonlicensee owners must notify the board within 30 days after receiving a sanction or order from a federal or state agency that is related to a violation of ethical or technical standards. Licensed firms must notify the board within 30 days of receiving notification of an investigation by a federal or state agency. The board must adopt rules regarding these provisions, and may also adopt rules specifying requirements for licensees to report sanctions or orders by other entities.

Licensed firms that fall out of compliance with licensing requirements due to changes in ownership or personnel must notify the board within 90 days.

The board may impose a fine of up to \$30,000 for prohibited actions.

Licensed firms must retain records relevant to an audit or review of a client's financial statements for seven years.

By December 1, 2003, the Board of Accounting must report to the Legislature regarding the issue of auditor independence.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This bill provides needed protections after recent accounting scandals.

**Testimony Against:** None.

**Testified:** Senator Carlson, prime sponsor.