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ENGROSSED SUBSTITUTE HOUSE BILL 1588

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State of Washington

52nd Legislature

1991 Regular Session

By House Committee on State Government (originally sponsored by Representatives Pruitt, Bowman, Anderson, McLean and Paris; by request of State Board of Accountancy). Read first time March 5, 1991.

1 AN ACT Relating to the board of accountancy; amending RCW  
2 18.04.035, 18.04.045, 18.04.055, 18.04.065, 18.04.295, 18.04.345, and  
3 18.04.350; creating a new section; providing an effective date; and  
4 declaring an emergency.

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

6 **Sec. 1.** RCW 18.04.035 and 1986 c 295 s 2 are each amended to read  
7 as follows:

8 (1) There is created a board of accountancy for the state of  
9 Washington to be known as the Washington board of accountancy. The  
10 board shall consist of ~~((five))~~ seven members appointed by the  
11 governor. Members of the board shall include four persons who hold  
12 certified public accountant certificates and have been in public  
13 practice as certified public accountants in this state continuously for  
14 the previous ten years and two persons who have held a valid certified  
15 public accountant's certificate in this state for at least ten years.

1 The ((fifth)) seventh member shall be the public member and shall be a  
2 person who is qualified to judge whether the qualifications,  
3 activities, and professional practice of those regulated under this  
4 chapter conform with standards to protect the public interest.

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11 license to practice has been revoked or suspended and may, after  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

16 **Sec. 2.** RCW 18.04.045 and 1986 c 295 s 3 are each amended to read  
17 as follows:

18 (1) The board shall annually elect a ((chairman)) chairperson, a  
19 vice ((chairman)) chairperson, and a secretary from its members.

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

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

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

26 (5) The board shall keep records of its proceedings, and of any  
27 proceeding in court arising from or founded upon this chapter. Copies  
28 of these records certified as correct under the seal of the board are  
29 admissible in evidence as tending to prove the content of the records.

1       (6) The governor shall appoint an executive director of the board  
2 to serve at the pleasure of the governor. The executive director may  
3 employ such personnel as is appropriate for carrying out this chapter.  
4 The executive director shall be a certified public accountant licensed  
5 in the state of Washington. The board may ((employ personnel and))  
6 arrange for assistance as it requires to perform its duties.  
7 Individuals or committees assisting the board under this subsection (6)  
8 constitute volunteers for purposes of chapter 4.92 RCW.

9       (7) Each member of the board shall receive compensation as provided  
10 under RCW 18.04.080.

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

15       **Sec. 3.** RCW 18.04.055 and 1986 c 295 s 4 are each amended to read  
16 as follows:

17       The board shall prescribe rules consistent with this chapter as  
18 necessary to implement this chapter. Included may be:

19       (1) Rules of procedure to govern the conduct of matters before the  
20 board;

21       (2) Rules of professional conduct to establish and maintain high  
22 standards of competence and integrity in the profession;

23       (3) Rules specifying the manner and circumstances of the use by  
24 holders of certificates who do not also hold licenses under this  
25 chapter of the titles "certified public accountant" and "CPA";

26       (4) Educational requirements to ((set for an)) write the  
27 examination or for the issuance of the certificate or license of  
28 certified public accountant;

1       (~~(4)~~) (5) Rules designed to ensure that certified public  
2 accountants' "opinions on financial statements" meet the definitional  
3 requirements for that term as specified in RCW 18.04.025;

4       (~~(5)~~) (6) Requirements for continuing professional education to  
5 maintain or improve the professional competence of certificate and  
6 license holders as a condition to maintaining their certificate or  
7 license to practice under RCW 18.04.215;

8       (~~(6)~~) (7) Regulations governing sole proprietors, partnerships,  
9 and corporations practicing public accounting including, but not  
10 limited to, rules concerning their style, name, title, and affiliation  
11 with any other organization, and establishing reasonable practice  
12 standards to protect the public interest;

13       (~~(7)~~) (8) The board may by rule implement a quality assurance  
14 review program as a means to monitor licensees' quality of practice and  
15 compliance with professional standards. The board may exempt from such  
16 program, licensees who undergo periodic peer reviews in programs of the  
17 American Institute of Certified Public Accountants, National  
18 Association of State Boards of Accountancy, or other programs  
19 recognized and approved by the board by rule(~~(-)~~);

20       (~~(8)~~) (9) The board may by rule require firms to obtain  
21 professional liability insurance if in the board's discretion such  
22 insurance provides additional and necessary protection for the public;  
23 and

24       (~~(9)~~) (10) Any other rule which the board finds necessary or  
25 appropriate to implement this chapter.

26       **Sec. 4.** RCW 18.04.065 and 1983 c 234 s 24 are each amended to read  
27 as follows:

28       The board shall set its fees at a level adequate to pay the costs  
29 of administering this chapter. Eighty percent of the fees for

1 certified public accountants' licenses, certificates, renewals of  
2 licenses, renewals of certificates, and delinquent filings received  
3 under the authority of this chapter shall be deposited in the certified  
4 public accountants' account created by RCW 18.04.105. Appropriation  
5 from such account shall be made only for the cost of administering the  
6 provisions of this chapter. Twenty percent of the fees for certified  
7 public accountants' licenses, certificates, renewals of licenses,  
8 renewals of certificates, and delinquent filings received under the  
9 authority of this chapter shall be deposited to the state general fund.

10       **Sec. 5.** RCW 18.04.295 and 1986 c 295 s 11 are each amended to read  
11 as follows:

12       The board of accountancy shall have the power to revoke, suspend,  
13 or refuse to renew the certificate and/or license of any certified  
14 public accountant for any of the following causes:

15       (1) Fraud or deceit in obtaining a certificate as a certified  
16 public accountant, or in obtaining a license to practice public  
17 accounting under RCW 18.04.215;

18       (2) Dishonesty, fraud, or negligence in the practice of public  
19 accounting;

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

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

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

24       (a) The laws of this state;

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

27       (c) Federal law;

28       (6) Cancellation, revocation, suspension, or refusal to renew the  
29 authority to practice as a certified public accountant by any other

1 state for any cause other than failure to pay a fee or to meet the  
2 requirements of continuing education in the other state;

3 (7) Suspension or revocation of the right to practice before any  
4 state or federal agency.

5 **Sec. 6.** RCW 18.04.345 and 1986 c 295 s 15 are each amended to read  
6 as follows:

7 (1) No person may hold himself or herself out to the public, or  
8 assume or use the designation "certified public accountant" or "CPA" or  
9 any other title, designation, words, letters, abbreviation, sign, card,  
10 or device tending to indicate that the person is a certified public  
11 accountant or CPA unless the person has received a certificate as a  
12 certified public accountant, holds a valid license to practice under  
13 RCW 18.04.215, and all of the person's offices in this state for the  
14 practice of public accounting are maintained and registered under RCW  
15 18.04.205.

16 (2) No firm may hold itself out to the public, or assume or use the  
17 designation "certified public accountant" or "CPA" or any other title,  
18 designation, words, letters, abbreviation, sign, card, or device  
19 tending to indicate that the firm is composed of certified public  
20 accountants or CPAs, unless the firm is licensed under RCW 18.04.195,  
21 holds a valid license to practice under RCW 18.04.215, and all offices  
22 of the firm in this state for the practice of public accounting are  
23 maintained and registered under RCW 18.04.205.

24 (3) No person, partnership, or corporation may hold himself,  
25 herself, or itself out to the public, or assume or use along, or in  
26 connection with his, hers, or its name, or any other name the title or  
27 designation "certified accountant," "chartered accountant," "licensed  
28 accountant," "public accountant," or any other title or designation  
29 likely to be confused with "certified public accountant" or any of the

1 abbreviations "CA," "LA," or "PA," or similar abbreviations likely to  
2 be confused with "CPA." However, nothing in this chapter prohibits use  
3 of the title "accountant" by any person regardless of whether the  
4 person has been granted a certificate or holds a license under this  
5 chapter.

6 (4) No person may sign, affix, or associate his or her name or any  
7 trade or assumed name used by the person in his or her business to any  
8 report designated as an "audit," "review," or "compilation," unless the  
9 person holds a biennial license to practice under RCW 18.04.215 and all  
10 of the person's offices in this state for the practice of public  
11 accounting are maintained and licensed under RCW 18.04.205.

12 (5) No person may sign, affix, or associate a firm name to any  
13 report designated as an "audit," "review," or "compilation," unless the  
14 firm is licensed under RCW 18.04.195 and 18.04.215, and all of its  
15 offices in this state for the practice of public accounting are  
16 maintained and registered under RCW 18.04.205.

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

22 ~~(7) ((Nothing contained in this chapter prohibits any person who is~~  
23 ~~the holder of a valid certified public accountant certificate from~~  
24 ~~assuming or using the designation "certified public accountant" or~~  
25 ~~"CPA" or any other title, designation, words, letters, sign, card, or~~  
26 ~~device tending to indicate that the person is a certified public~~  
27 ~~accountant.~~

28 (+8)) No person may assume or use the designation "certified public  
29 accountant" or "CPA" in conjunction with names indicating or implying

1 that there is a partnership or corporation, if there is in fact no bona  
2 fide partnership or corporation registered under RCW 18.04.195.

3 ~~((+9))~~ (8) No person, partnership, or corporation holding a  
4 license under RCW 18.04.215 may hold himself, herself, or itself out to  
5 the public in conjunction with the designation "and Associates" or "and  
6 Assoc." unless he or she has in fact a partner or employee who holds a  
7 license under RCW 18.04.215.

8 ~~((+10))~~ (9) No person, partnership, or corporation may hold  
9 himself, herself, or itself out to the public for the practice of  
10 public accounting unless the person, partnership, or corporation holds  
11 a license to practice under RCW 18.04.215 and all of his or its offices  
12 in this state are maintained and registered under RCW 18.04.205.

13 **Sec. 7.** RCW 18.04.350 and 1986 c 295 s 16 are each amended to read  
14 as follows:

15 (1) Nothing in this chapter prohibits any person not a certified  
16 public accountant from serving as an employee of, or as assistant to,  
17 a certified public accountant or partnership composed of certified  
18 public accountants or corporation of certified public accountants  
19 holding a valid license under RCW 18.04.215. However, the employee or  
20 assistant shall not issue any accounting or financial statement over  
21 his or her name.

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

27 (3) Nothing in this chapter prohibits a certified public  
28 accountant, a partnership, or corporation of certified public  
29 accountants, or any of their employees from disclosing any data in

1 confidence to other certified public accountants, peer review teams,  
2 partnerships, or corporations of public accountants engaged in  
3 conducting peer reviews, or any one of their employees in connection  
4 with peer reviews of that accountant's accounting and auditing practice  
5 conducted under the auspices of recognized professional associations.

6 (4) Nothing in this chapter prohibits a certified public  
7 accountant, a partnership, or corporation of certified public  
8 accountants, or any of their employees from disclosing any data in  
9 confidence to any employee, representative, officer, or committee  
10 member of a recognized professional association, or to the board of  
11 accountancy, or any of its employees or committees in connection with  
12 a professional investigation held under the auspices of recognized  
13 professional associations or the board of accountancy.

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

16 (a) From affixing his or her signature to any statement or report  
17 in reference to the affairs of the organization with any wording  
18 designating the position, title, or office which he or she holds in the  
19 organization; or

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

22 (6) Nothing in this chapter prohibits any person, or partnership or  
23 corporation composed of persons not holding a license under RCW  
24 18.04.215 from offering or rendering to the public bookkeeping,  
25 accounting, and tax services, including devising and installing  
26 systems, financial information or data, or preparing financial  
27 statements, written statements describing how such financial statements  
28 were prepared, or similar services, provided that persons,  
29 partnerships, or corporations not holding a license under RCW 18.04.215  
30 who offer or render these services do not designate any written

1 statement as an "audit report," "review report," or "compilation  
2 report," do not issue any written statement which purports to express  
3 or disclaim an opinion on financial statements which have been audited,  
4 and do not issue any written statement which expresses assurance on  
5 financial statements which have been reviewed.

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

9 (8) Nothing contained in this chapter prohibits any person who  
10 holds only 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 the person is a certified public accountant.  
14 However, the person may not hold himself or herself out to the public  
15 as engaged in the practice of public accounting unless that person  
16 holds a valid license in addition to the certificate under RCW  
17 18.04.215.

18 NEW SECTION. Sec. 8. The state treasurer, on the effective date  
19 of this act, shall transfer from the general fund to the certified  
20 public accountants' account an amount equal to eighty percent of the  
21 amount by which the board's general fund fee revenues for the 1989-91  
22 biennium exceeded the board's general fund appropriations for that  
23 biennium.

24 NEW SECTION. Sec. 9. This act is necessary for the immediate  
25 preservation of the public peace, health, or safety, or support of the  
26 state government and its existing public institutions, and shall take  
27 effect on July 1, 1991. The executive director of the board may take  
28 such steps as are necessary to ensure that this act is implemented on

1 its effective date.