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HOUSE BILL 1588

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State of Washington                      52nd Legislature                      1991 Regular Session

By Representatives Pruitt, Bowman, Anderson, McLean and Paris; by request of State Board of Accountancy.

Read first time February 4, 1991. Referred to Committee on State Government.

1            AN ACT Relating to the board of accountancy; and 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.

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

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

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

1 person who is qualified to judge whether the qualifications,  
2 activities, and professional practice of those regulated under this  
3 chapter conform with standards to protect the public interest.

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10 license to practice has been revoked or suspended and may, after  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

15 **Sec. 2.** 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~~)) chairperson, a  
18 vice ((~~chairman~~)) chairperson, and a secretary from its members.

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

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

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

25 (5) The board shall keep records of its proceedings, and of any  
26 proceeding in court arising from or founded upon this chapter. Copies  
27 of these records certified as correct under the seal of the board are  
28 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 shall  
3 be a certified public accountant licensed in the state of Washington.  
4 The board may (~~employ personnel and~~) arrange for assistance as it  
5 requires to perform its duties. Individuals or committees assisting  
6 the board under this subsection (6) constitute volunteers for purposes  
7 of chapter 4.92 RCW.

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

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

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

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

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

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

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

25       (4) Educational requirements to (~~set for an~~) write the  
26 examination or for the issuance of the certificate or license of  
27 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 filing fees received under the  
9 authority of this chapter shall be deposited to the state general fund.  
10 All existing general fund appropriations for the board's operations  
11 shall be transferred to the certified public accountants' account on  
12 the effective date of this act. Eighty percent of the balance of  
13 fiscal year 1989-91 biennium revenues deposited by the board to the  
14 general fund in excess of board expenditures from the general fund on  
15 the effective date of this act shall be credited to the certified  
16 public accountants' account fund balance.

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

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

22       (1) Fraud or deceit in obtaining a certificate as a certified  
23 public accountant, or in obtaining a license to practice public  
24 accounting under RCW 18.04.215;

25       (2) Dishonesty, fraud, or negligence in the practice of public  
26 accounting;

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

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

- 1 (5) Conviction of a crime or an act constituting a crime under:  
2 (a) The laws of this state;  
3 (b) The laws of another state, and which, if committed within this  
4 state, would have constituted a crime under the laws of this state; or  
5 (c) Federal law;  
6 (6) Cancellation, revocation, suspension, or refusal to renew the  
7 authority to practice as a certified public accountant by any other  
8 state for any cause other than failure to pay a fee or to meet the  
9 requirements of continuing education in the other state;  
10 (7) Suspension or revocation of the right to practice before any  
11 state or federal agency.

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

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

23 (2) No firm may hold itself out to the public, or assume or use the  
24 designation "certified public accountant" or "CPA" or any other title,  
25 designation, words, letters, abbreviation, sign, card, or device  
26 tending to indicate that the firm is composed of certified public  
27 accountants or CPAs, unless the firm is licensed under RCW 18.04.195,  
28 holds a valid license to practice under RCW 18.04.215, and all offices

1 of the firm in this state for the practice of public accounting are  
2 maintained and registered under RCW 18.04.205.

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

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

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

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

1       (7) (~~Nothing contained in this chapter prohibits any person who is~~  
2 ~~the holder of 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 that the person is a certified public~~  
6 ~~accountant.~~

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

11       ((9)) (8) No person, partnership, or corporation holding a  
12 license under RCW 18.04.215 may hold himself, herself, or itself out to  
13 the public in conjunction with the designation "and Associates" or "and  
14 Assoc." unless he or she has in fact a partner or employee who holds a  
15 license under RCW 18.04.215.

16       ((10)) (9) No person, partnership, or corporation may hold  
17 himself, herself, or itself out to the public for the practice of  
18 public accounting unless the person, partnership, or corporation holds  
19 a license to practice under RCW 18.04.215 and all of his or its offices  
20 in this state are maintained and registered under RCW 18.04.205.

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

23       (1) Nothing in this chapter prohibits any person not a certified  
24 public accountant from serving as an employee of, or as assistant to,  
25 a certified public accountant or partnership composed of certified  
26 public accountants or corporation of certified public accountants  
27 holding a valid license under RCW 18.04.215. However, the employee or  
28 assistant shall not issue any accounting or financial statement over  
29 his or her name.



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

6           (3) 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 other certified public accountants, peer review teams,  
10 partnerships, or corporations of public accountants engaged in  
11 conducting peer reviews, or any one of their employees in connection  
12 with peer reviews of that accountant's accounting and auditing practice  
13 conducted under the auspices of recognized professional associations.

14           (4) Nothing in this chapter prohibits a certified public  
15 accountant, a partnership, or corporation of certified public  
16 accountants, or any of their employees from disclosing any data in  
17 confidence to any employee, representative, officer, or committee  
18 member of a recognized professional association, or to the board of  
19 accountancy, or any of its employees or committees in connection with  
20 a professional investigation held under the auspices of recognized  
21 professional associations or the board of accountancy.

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

24           (a) From affixing his or her signature to any statement or report  
25 in reference to the affairs of the organization with any wording  
26 designating the position, title, or office which he or she holds in the  
27 organization; or

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

1 (6) Nothing in this chapter prohibits any person, or partnership or  
2 corporation composed of persons not holding a license under RCW  
3 18.04.215 from offering or rendering to the public bookkeeping,  
4 accounting, and tax services, including devising and installing  
5 systems, financial information or data, or preparing financial  
6 statements, written statements describing how such financial statements  
7 were prepared, or similar services, provided that persons,  
8 partnerships, or corporations not holding a license under RCW 18.04.215  
9 who offer or render these services do not designate any written  
10 statement as an "audit report," "review report," or "compilation  
11 report," do not issue any written statement which purports to express  
12 or disclaim an opinion on financial statements which have been audited,  
13 and do not issue any written statement which expresses assurance on  
14 financial statements which have been reviewed.

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

18 (8) Nothing contained in this chapter prohibits any person who  
19 holds only a valid certified public accountant certificate from  
20 assuming or using the designation "certified public accountant" or  
21 "CPA" or any other title, designation, words, letters, sign, card, or  
22 device tending to indicate the person is a certified public accountant.  
23 However, the person may not hold himself or herself out to the public  
24 as engaged in the practice of public accounting unless that person  
25 holds a valid license in addition to the certificate under RCW  
26 18.04.215.