

2 **SB 5628** - H COMM AMD **ADOPTED 04/07/99**
3 By Committee on Commerce & Labor

4

5 Strike everything after the enacting clause and insert the
6 following:

7 "**Sec. 1.** RCW 18.04.025 and 1994 c 211 s 1401 are each amended to
8 read as follows:

9 Unless the context clearly requires otherwise, the definitions in
10 this section apply throughout this chapter.

11 (1) "Board" means the board of accountancy created by RCW
12 18.04.035.

13 (2) "Certified public accountant" or "CPA" means a person holding
14 a certified public accountant certificate.

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

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

27 (5) The "practice of public accounting" means performing or
28 offering to perform by a person or firm holding itself out to the
29 public as a licensee, for a client or potential client, one or more
30 kinds of services involving the use of accounting or auditing skills,
31 including the issuance of "audit reports," "review reports," or
32 "compilation reports" on financial statements, or one or more kinds of
33 management advisory, or consulting services, or the preparation of tax
34 returns, or the furnishing of advice on tax matters. The "practice of
35 public accounting" shall not include practices that are permitted under

1 the provisions of RCW 18.04.350(6) by persons or firms not required to
2 be licensed under this chapter.

3 (6) "Firm" means a sole proprietorship, a corporation, or a
4 partnership. "Firm" also means a limited liability company formed
5 under chapter 25.15 RCW.

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

7 (8) "Certificate" means a certificate as a certified public
8 accountant issued under this chapter, or a corresponding certificate
9 issued by another state or foreign jurisdiction that is recognized in
10 accordance with the reciprocity provisions of RCW 18.04.180 and
11 18.04.183.

12 (9) "Licensee" means the holder of a valid license issued under
13 this chapter.

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

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

22 (12) "Quality review" means a study, appraisal, or review of one or
23 more aspects of the professional work of a person or firm in the
24 practice of public accountancy, by a person or persons who hold
25 certificates and who are not affiliated with the person or firm being
26 reviewed, including a peer review, or any internal review or inspection
27 intended to comply with quality control policies and procedures, but
28 not including the "quality assurance review" under subsection (11) of
29 this section.

30 (13) "Review committee" means any person carrying out,
31 administering or overseeing a quality review authorized by the
32 reviewee.

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

35 (15) "Holding out" means any representation to the public by the
36 use of restricted titles as set forth in RCW 18.04.345 by a person or
37 firm that the person or firm is a certified public accountant and that
38 the person or firm offers to perform any professional services to the
39 public as a certified public accountant. "Holding out" shall not

1 affect or limit a person not required to hold a certificate under this
2 chapter or a person or firm not required to hold a license under this
3 chapter from engaging in practices identified in RCW 18.04.350(6).

4 **Sec. 2.** RCW 18.04.105 and 1992 c 103 s 7 are each amended to read
5 as follows:

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

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

19 (b) Who has met the educational standards established by rule as
20 the board determines to be appropriate;

21 The board may, in its discretion, waive the educational
22 requirements for any person if it is satisfied through review of
23 documentation of successful completion of an equivalency examination
24 that the person's educational qualifications are an acceptable
25 substitute for the requirements of (b) of this subsection; and

26 (c) Who has passed a written examination.

27 (2) The examination described in subsection (1)(c) of this section
28 shall be in writing, shall be held twice a year, and shall test the
29 applicant's knowledge of the subjects of accounting and auditing, and
30 other related fields the board may specify by rule. The time for
31 holding the examination is fixed by the board and may be changed from
32 time to time. The board shall prescribe by rule the methods of
33 applying for and taking the examination, including methods for grading
34 papers and determining a passing grade required of an applicant for a
35 certificate. The board shall to the extent possible see to it that the
36 grading of the examination, and the passing grades, are uniform with
37 those applicable to all other states. The board may make use of all or
38 a part of the uniform certified public accountant examination and

1 advisory grading service of the American Institute of Certified Public
2 Accountants and may contract with third parties to perform
3 administrative services with respect to the examination as the board
4 deems appropriate to assist it in performing its duties under this
5 chapter.

6 (3) An applicant is required to pass all sections of the
7 examination provided for in subsection (2) of this section in order to
8 qualify for a certificate. If at a given sitting of the examination an
9 applicant passes two or more but not all sections, then the applicant
10 shall be given credit for those sections that he or she passed, and
11 need not take those sections again: PROVIDED, That:

12 (a) The applicant took all sections of the examination at that
13 sitting;

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

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

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

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

25 (4) The board may waive or defer any of the requirements of
26 subsection (3) of this section for candidates transferring conditional
27 CPA exam credits from other states or for qualifying reciprocity
28 certification applicants who met the conditioning requirements of the
29 state or foreign jurisdiction issuing their original certificate.

30 (5) The board shall charge each applicant an examination fee for
31 the initial examination under subsection (1) of this section, or for
32 reexamination under subsection (3) of this section for each subject in
33 which the applicant is reexamined. The applicable fee shall be paid by
34 the person at the time he or she applies for examination,
35 reexamination, or evaluation of educational qualifications. Fees for
36 examination, reexamination, or evaluation of educational qualifications
37 shall be determined by the board under chapter 18.04 RCW. There is
38 established in the state treasury an account to be known as the
39 certified public accountants' account. All fees received from

1 candidates to take any or all sections of the certified public
2 accountant examination shall be used only for costs related to the
3 examination.

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

10 (7) A certificate of a "certified public accountant" under this
11 chapter is issued ~~((on a biennial basis))~~ every three years with
12 renewal subject to requirements of continuing professional education
13 and payment of fees, prescribed by the board.

14 (8) The board shall adopt rules providing for continuing
15 professional education for certified public accountants. The rules
16 shall:

17 (a) Provide that a certified public accountant shall verify to the
18 board that he or she has completed at least an accumulation of
19 ~~((eighty))~~ one hundred twenty hours of continuing professional
20 education during the last ~~((two-year))~~ three-year period to maintain
21 the certificate;

22 (b) Establish continuing professional education requirements;

23 (c) Establish when newly certificated public accountants shall
24 verify that they have completed the required continuing professional
25 education; ~~((and))~~

26 (d) Provide that failure to furnish verification of the completion
27 of the continuing professional education requirement shall make the
28 certificate invalid and subject to reinstatement, unless the board
29 determines that the failure was due to retirement, reasonable cause, or
30 excusable neglect; and

31 (e) Provide for transition from existing to new continuing
32 professional education requirements.

33 (9) The board may adopt by rule new CPE standards that differ from
34 those in subsection (8) of this section or RCW 18.04.215 if the new
35 standards are consistent with the continuing professional education
36 standards of other states so as to provide to the greatest extent
37 possible, consistent national standards.

1 **Sec. 3.** RCW 18.04.183 and 1992 c 103 s 18 are each amended to read
2 as follows:

3 The board shall grant a certificate or license as a certified
4 public accountant to a holder of a permit, license, or certificate
5 issued by a foreign country's board, agency, or institute, provided
6 that:

7 (1) The foreign country where the foreign permit, license, or
8 certificate was issued is a party to an agreement on trade with the
9 United States that encourages the mutual recognition of licensing and
10 certification requirements for the provision of covered services by the
11 parties under the trade agreement; and

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

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

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

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

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

24 (4) The applicant has within the (~~twenty-four~~) thirty-six months
25 prior to application completed an accumulation of (~~eighty~~) one
26 hundred twenty hours of continuing professional education as required
27 under RCW 18.04.105(8). The board shall provide for transition from
28 existing to new continuing professional education requirements; and

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

30 (a) The applicant's foreign permit, license, or certificate was the
31 type of permit, license, or certificate requiring the most stringent
32 qualifications if, in the foreign country, more than one type of
33 permit, license, or certificate is issued. This state's board shall
34 decide which are the most stringent qualifications; and

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

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

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

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

12 The board may adopt by rule new CPE standards that differ from
13 those in subsection (4) of this section or RCW 18.04.215 if the new
14 standards are consistent with the continuing professional education
15 standards of other states so as to provide to the greatest extent
16 possible, consistent national standards.

17 **Sec. 4.** RCW 18.04.185 and 1986 c 295 s 7 are each amended to read
18 as follows:

19 (1) Application for certification as certified public accountants
20 by persons who are not residents of this state constitutes appointment
21 of the secretary of state as an agent for service of process in any
22 action or proceeding against the applicants arising from any
23 transaction, activity, or operation connected with or incidental to the
24 practice of public accounting in this state by nonresident holders of
25 certified public accountant certificates.

26 (2) Application for a ((biennial)) license to practice public
27 accounting in this state by a certified public accountant or CPA firm
28 who holds a license or permit to practice issued by another state
29 constitutes the appointment of the secretary of state as an agent for
30 service of process in any action or proceeding against the applicant
31 arising from any transaction or operation connected with or incidental
32 to the practice of public accounting in this state by the holder of the
33 ((biennial)) license to practice.

34 **Sec. 5.** RCW 18.04.195 and 1994 c 211 s 1402 are each amended to
35 read as follows:

1 (1) A sole proprietorship engaged in this state in the practice of
2 public accounting shall license (~~(biennially)~~) every three years with
3 the board as a firm.

4 (a) The principal purpose and business of the firm shall be to
5 furnish services to the public which are consistent with this chapter
6 and the rules of the board.

7 (b) The person shall be a certified public accountant holding a
8 license to practice under RCW 18.04.215.

9 (c) Each resident licensee in charge of an office of the sole
10 proprietorship engaged in this state in the practice of public
11 accounting shall be a certified public accountant holding a license to
12 practice under RCW 18.04.215.

13 (2) A partnership engaged in this state in the practice of public
14 accounting shall license (~~(biennially)~~) every three years with the
15 board as a partnership of certified public accountants, and shall meet
16 the following requirements:

17 (a) The principal purpose and business of the partnership shall be
18 to furnish services to the public which are consistent with this
19 chapter and the rules of the board;

20 (b) At least one general partner of the partnership shall be a
21 certified public accountant holding a license to practice under RCW
22 18.04.215;

23 (c) Each resident licensee in charge of an office of the
24 partnership in this state and each resident partner personally engaged
25 within this state in the practice of public accounting shall be a
26 certified public accountant holding a license to practice under RCW
27 18.04.215.

28 (3) A corporation organized for the practice of public accounting
29 and engaged in this state in the practice of public accounting shall
30 license (~~(biennially)~~) every three years with the board as a
31 corporation of certified public accountants and shall meet the
32 following requirements:

33 (a) The principal purpose and business of the corporation shall be
34 to furnish services to the public which are consistent with this
35 chapter and the rules of the board; and

36 (b) Each shareholder of the corporation shall be a certified public
37 accountant of some state holding a license to practice and shall be
38 principally employed by the corporation or actively engaged in its
39 business. No other person may have any interest in the stock of the

1 corporation. The principal officer of the corporation and any officer
2 or director having authority over the practice of public accounting by
3 the corporation shall be a certified public accountant of some state
4 holding a license to practice;

5 (c) At least one shareholder of the corporation shall be a
6 certified public accountant holding a license to practice under RCW
7 18.04.215;

8 (d) Each resident licensee in charge of an office of the
9 corporation in this state and each shareholder or director personally
10 engaged within this state in the practice of public accounting shall be
11 a certified public accountant holding a license to practice under RCW
12 18.04.215;

13 (e) A written agreement shall bind the corporation or its
14 shareholders to purchase any shares offered for sale by, or not under
15 the ownership or effective control of, a qualified shareholder, and
16 bind any holder not a qualified shareholder to sell the shares to the
17 corporation or its qualified shareholders. The agreement shall be
18 noted on each certificate of corporate stock. The corporation may
19 purchase any amount of its stock for this purpose, notwithstanding any
20 impairment of capital, as long as one share remains outstanding; and

21 (f) The corporation shall comply with any other rules pertaining to
22 corporations practicing public accounting in this state as the board
23 may prescribe.

24 (4) A limited liability company engaged in this state in the
25 practice of public accounting shall license (~~biennially~~) every three
26 years with the board as a limited liability company of certified public
27 accountants, and shall meet the following requirements:

28 (a) The principal purpose and business of the limited liability
29 company shall be to furnish services to the public which are consistent
30 with this chapter and the rules of the board;

31 (b) At least one manager of the limited liability company shall be
32 a certified public accountant holding a license to practice under RCW
33 18.04.215;

34 (c) Each resident manager or member in charge of an office of the
35 limited liability company in this state and each resident manager or
36 member personally engaged within this state in the practice of public
37 accounting shall be a certified public accountant holding a license to
38 practice under RCW 18.04.215.

1 (5) Application for a license as a firm shall be made upon the
2 affidavit of the proprietor or person designated as managing partner or
3 shareholder for Washington. This person shall be a certified public
4 accountant holding a license to practice under RCW 18.04.215. The
5 board shall determine in each case whether the applicant is eligible
6 for a license. A partnership or corporation which is licensed to
7 practice under RCW 18.04.215 may use the designation "certified public
8 accountants" or "CPAs" in connection with its partnership or corporate
9 name. The board shall be given notification within ninety days after
10 the admission or withdrawal of a partner or shareholder engaged in this
11 state in the practice of public accounting from any partnership or
12 corporation so licensed.

13 (6) Fees for the license as a firm and for notification of the
14 board of the admission or withdrawal of a partner or shareholder shall
15 be determined by the board. Fees shall be paid by the firm at the time
16 the license application form or notice of admission or withdrawal of a
17 partner or shareholder is filed with the board.

18 **Sec. 6.** RCW 18.04.205 and 1992 c 103 s 9 are each amended to read
19 as follows:

20 (1) Each office established or maintained in this state for the
21 practice of public accounting in this state by a certified public
22 accountant, or a partnership or corporation of certified public
23 accountants, shall register with the board under this chapter
24 (~~biennially~~) every three years.

25 (2) Each office shall be under the direct supervision of a resident
26 licensee holding a license under RCW 18.04.215 who may be a sole
27 proprietor, partner, principal shareholder, or a staff employee.

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

31 (4) Fees for the registration of offices shall be determined by the
32 board. Fees shall be paid by the applicant at the time the
33 registration form is filed with the board.

34 **Sec. 7.** RCW 18.04.215 and 1992 c 103 s 10 are each amended to read
35 as follows:

36 (1) (~~Biennial~~) Three-year licenses 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
8 ~~((eighty))~~ one hundred twenty hours of continuing professional
9 education during the ~~((twenty-four))~~ thirty-six months preceding the
10 application;

11 (b) To firms under RCW 18.04.195, if all offices of the firm in
12 this state are maintained and registered as required under RCW
13 18.04.205.

14 (2) The board shall, by rule, provide for a system of certificate
15 and license renewal. Applicants for issuance or renewal of
16 certificates or licenses shall, at the time of filing their
17 applications, list with the board all states and foreign jurisdictions
18 in which they hold or have applied for certificates, permits or
19 licenses to practice.

20 (3) A certified public accountant who holds a permit or license
21 issued by another state, and applies for a license in this state, may
22 practice in this state from the date of filing a completed application
23 with the board, until the board has acted upon the application provided
24 the application is made prior to holding out as a certified public
25 accountant in this state and no sanctions or investigations, deemed by
26 the board to be pertinent to public accountancy, by other jurisdictions
27 or agencies are in process.

28 (4) A certified public accountant shall submit to the board
29 satisfactory proof of having completed an accumulation of ~~((eighty))~~
30 one hundred twenty hours of continuing education recognized and
31 approved by the board during the preceding ~~((two))~~ three years.
32 Failure to furnish this evidence as required shall make the certificate
33 invalid and subject to reinstatement procedures, unless the board
34 determines the failure to have been due to retirement, reasonable
35 cause, or excusable neglect.

36 The board in its discretion may renew a certificate or license
37 despite failure to furnish evidence of compliance with requirements of
38 continuing professional education upon condition that the applicant
39 follow a particular program of continuing professional education. In

1 issuing rules and individual orders with respect to continuing
2 professional education requirements, the board, among other
3 considerations, may rely upon guidelines and pronouncements of
4 recognized educational and professional associations, may prescribe
5 course content, duration, and organization, and may take into account
6 the accessibility of continuing education to applicants and instances
7 of individual hardship.

8 (5) Fees for issuance or renewal of certificates and licenses in
9 this state shall be determined by the board under chapter 18.04 RCW.
10 Fees shall be paid by the applicant at the time the application form is
11 filed with the board. The board, by rule, may provide for proration of
12 fees for certificates and licenses issued between normal renewal dates.

13 **Sec. 8.** RCW 18.04.345 and 1992 c 103 s 14 are each amended to read
14 as follows:

15 (1) No person may assume or use the designation "certified public
16 accountant" or "CPA" or any other title, designation, words, letters,
17 abbreviation, sign, card, or device tending to indicate that the person
18 is a certified public accountant or CPA unless the person holds a valid
19 certificate as a certified public accountant.

20 (2) No person may hold himself or herself out to the public and
21 assume or use the designation "certified public accountant" or "CPA" or
22 any other title, designation, words, letters, abbreviation, sign, card,
23 or (~~device~~) device tending to indicate that the person is a
24 certified public accountant or CPA unless the person holds a valid
25 certificate as a certified public accountant and holds a valid license
26 to practice under RCW 18.04.215.

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

35 (4) No person, partnership, or corporation may hold himself,
36 herself, or itself out to the public, or assume or use along, or in
37 connection with his, hers, or its name, or any other name the title or
38 designation "certified accountant," "chartered accountant," "licensed

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

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

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

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

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

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

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