

2 **E2SSB 5593** - H COMM AMD **ADOPTED 4/5/01**  
3 By Committee on Appropriations

4

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

7 "Sec. 1. RCW 18.04.015 and 1992 c 103 s 1 are each amended to read  
8 as follows:

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

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

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

15 (i) Persons who hold themselves out ~~((to the public))~~ as  
16 ~~((certified public accountants who offer to perform, or perform for~~  
17 ~~clients, professional services, including but not limited to one or~~  
18 ~~more kinds of services involving the use of accounting or auditing~~  
19 ~~skills, including the issuance of "audit reports," "review reports," or~~  
20 ~~"compilation reports" on financial statements, or one or more kinds of~~  
21 ~~management advisory, or consulting services, the preparation of tax~~  
22 ~~returns, or the furnishing of advice on tax matters, perform such~~  
23 ~~services)) licensees or certificate holders conduct themselves in a~~  
24 competent, ethical, and professional manner;

25 (ii) A public authority be established that is competent to  
26 prescribe and assess the qualifications of certified public  
27 accountants, including certificate holders who are not licensed for the  
28 practice of public accounting;

29 (iii) Persons other than ~~((certified public accountants))~~ licensees  
30 refrain from using the words "audit," "review," and "compilation" when  
31 designating a report customarily prepared by someone knowledgeable in  
32 accounting; ~~((and))~~

33 (iv) A public authority be established to provide for consumer  
34 alerts and public protection information to be published regarding  
35 persons or firms who violate the provisions of this act or board rule

1 and to provide general consumer protection information to the public;  
2 and

3 (v) The use of accounting titles likely to confuse the public be  
4 prohibited.

5 (2) The purpose of this act is to make revisions to chapter 234,  
6 Laws of 1983 and chapter 103, Laws of 1992 to: Fortify the public  
7 protection provisions of this act; establish one set of qualifications  
8 to be a licensee; revise the regulations of certified public  
9 accountants; make revisions in the ownership of certified public  
10 accounting firms; assure to the greatest extent possible that certified  
11 public accountants from Washington state are substantially equivalent  
12 with certified public accountants in other states and can therefore  
13 perform the duties of certified public accountants in as many states  
14 and countries as possible; assure certified public accountants from  
15 other states and countries have met qualifications that are  
16 substantially equivalent to the certified public accountant  
17 qualifications of this state; and clarify the authority of the board of  
18 accountancy with respect to the activities of persons holding licenses  
19 and certificates under this chapter. It is not the intent of this act  
20 to in any way restrict or limit the activities of persons not holding  
21 licenses or certificates under this chapter except as otherwise  
22 specifically restricted or limited by chapter 234, Laws of 1983 and  
23 chapter 103, Laws of 1992.

24 (3) A purpose of chapter 103, Laws of 1992, revising provisions of  
25 chapter 234, Laws of 1983, is to clarify the authority of the board of  
26 accountancy with respect to the activities of persons holding  
27 certificates under this chapter. Furthermore, it is not the intent of  
28 chapter 103, Laws of 1992 to in any way restrict or limit the  
29 activities of persons not holding certificates under this chapter  
30 except as otherwise specifically restricted or limited by chapter 234,  
31 Laws of 1983.

32 **Sec. 2.** RCW 18.04.025 and 1999 c 378 s 1 are each amended to read  
33 as follows:

34 Unless the context clearly requires otherwise, the definitions in  
35 this section apply throughout this chapter.

36 (1) "Board" means the board of accountancy created by RCW  
37 18.04.035.

1       (2) "Certificate holder" means the holder of a certificate as a  
2 certified public accountant who has not become a licensee, has  
3 maintained CPE requirements, and who does not practice public  
4 accounting.

5       (3) "Certified public accountant" or "CPA" means a person holding  
6 a certified public accountant license or certificate.

7       (~~(3)~~) (4) "State" includes the states of the United States, the  
8 District of Columbia, Puerto Rico, Guam, and the United States Virgin  
9 Islands.

10       (~~(4)~~) (5) "Reports on financial statements" means any reports or  
11 opinions prepared by (~~certified public accountants~~) licensees, based  
12 on services performed in accordance with generally accepted auditing  
13 standards, standards for attestation engagements, or standards for  
14 accounting and review services as to whether the presentation of  
15 information used for guidance in financial transactions or for  
16 accounting for or assessing the status or performance of commercial and  
17 noncommercial enterprises, whether public, private, or governmental,  
18 conforms with generally accepted accounting principles or other  
19 comprehensive bases of accounting. "Reports on financial statements"  
20 does not include services referenced in RCW 18.04.350(6) provided by  
21 persons not holding a license under this chapter.

22       (~~(5)~~) (6) The "practice of public accounting" means performing or  
23 offering to perform by a person or firm holding itself out to the  
24 public as a licensee, for a client or potential client, one or more  
25 kinds of services involving the use of accounting or auditing skills,  
26 including the issuance of "audit reports," "review reports," or  
27 "compilation reports" on financial statements, or one or more kinds of  
28 management advisory, or consulting services, or the preparation of tax  
29 returns, or the furnishing of advice on tax matters. The "practice of  
30 public accounting" shall not include practices that are permitted under  
31 the provisions of RCW 18.04.350(6) by persons or firms not required to  
32 be licensed under this chapter.

33       (~~(6)~~) (7) "Firm" means a sole proprietorship, a corporation, or  
34 a partnership. "Firm" also means a limited liability company formed  
35 under chapter 25.15 RCW.

36       (~~(7)~~) (8) "CPE" means continuing professional education.

37       (~~(8)~~) (9) "Certificate" means a certificate as a certified public  
38 accountant issued prior to July 1, 2001, as authorized under the  
39 provisions of this chapter(~~(, or a corresponding certificate issued by~~

1 ~~another state or foreign jurisdiction that is recognized in accordance~~  
2 ~~with the reciprocity provisions of RCW 18.04.180 and 18.04.183)).~~

3 ~~((9))~~ (10) "Licensee" means the holder of a ~~((valid))~~ license to  
4 practice public accountancy issued under this chapter.

5 ~~((10))~~ (11) "License" means a license to practice public  
6 accountancy issued to an individual under this chapter, or a license  
7 issued to a firm under this chapter.

8 ~~((11))~~ (12) "Manager" means a manager of a limited liability  
9 company licensed as a firm under this chapter.

10 (13) "NASBA" means the national association of state boards of  
11 accountancy.

12 (14) "Quality assurance review" means a process established by and  
13 conducted at the direction of the board of study, appraisal, or review  
14 of one or more aspects of the ~~((professional))~~ attest work of a  
15 ~~((person))~~ licensee or licensed firm in the practice of public  
16 accountancy, by a person or persons who hold ~~((certificates))~~ licenses  
17 and who are not affiliated with the person or firm being reviewed.

18 ~~((12—"Quality review"))~~ (15) "Peer review" means a study,  
19 appraisal, or review of one or more aspects of the ~~((professional))~~  
20 attest work of a ~~((person))~~ licensee or licensed firm in the practice  
21 of public accountancy, by a person or persons who hold ~~((certificates))~~  
22 licenses and who are not affiliated with the person or firm being  
23 reviewed, including a peer review, or any internal review or inspection  
24 intended to comply with quality control policies and procedures, but  
25 not including the "quality assurance review" under subsection ~~((11))~~  
26 (14) of this section.

27 ~~((13))~~ (16) "Review committee" means any person carrying out,  
28 administering or overseeing a ~~((quality))~~ peer review authorized by the  
29 reviewee.

30 ~~((14))~~ (17) "Rule" means any rule adopted by the board under  
31 authority of this chapter.

32 ~~((15))~~ (18) "Holding out" means any representation to the public  
33 by the use of restricted titles as set forth in RCW 18.04.345 by a  
34 person or firm that the person or firm ~~((is a certified public~~  
35 ~~accountant))~~ holds a license under this chapter and that the person or  
36 firm offers to perform any professional services to the public as a  
37 ~~((certified public accountant))~~ licensee. "Holding out" shall not  
38 affect or limit ~~((a person not required to hold a certificate under~~  
39 ~~this chapter or))~~ a person or firm not required to hold a license under

1 this chapter from engaging in practices identified in RCW  
2 18.04.350(~~(6)~~)).

3 (19) "Natural person" means a living, human being.

4 (20) "Inactive" means the certificate is in an inactive status  
5 because a person who held a valid certificate before July 1, 2001, has  
6 not met the current requirements of licensure and has been granted  
7 inactive certificate holder status through an approval process  
8 established by the board.

9 **Sec. 3.** RCW 18.04.035 and 1992 c 103 s 3 are each amended to read  
10 as follows:

11 (1) There is created a board of accountancy for the state of  
12 Washington to be known as the Washington state board of accountancy.  
13 Effective June 30, 2001, the board shall consist of (~~seven~~) nine  
14 members appointed by the governor. Members of the board shall include  
15 (~~four~~) six persons who (~~hold valid certified public accountant~~  
16 certificates and have been in public practice as certified public  
17 accountants) have been licensed in this state continuously for the  
18 previous ten years (~~and two persons who have held a valid certified~~  
19 public accountant's certificate in this state for at least ten years)).  
20 (~~The seventh~~) Three members shall be (~~the~~) public members (~~and~~  
21 shall be a person who is) qualified to judge whether the  
22 qualifications, activities, and professional practice of those  
23 regulated under this chapter conform with standards to protect the  
24 public interest, including one public member qualified to represent the  
25 interests of clients of individuals and firms licensed under this  
26 chapter.

27 (2) The members of the board (~~(of accountancy)~~) shall be appointed  
28 by the governor to a term of three years. Vacancies occurring during  
29 a term shall be filled by appointment for the unexpired term. Upon the  
30 expiration of a member's term of office, the member shall continue to  
31 serve until a successor has been appointed and has assumed office. The  
32 governor shall remove from the board any member whose (~~certificate~~  
33 ~~or~~) license to practice has been revoked or suspended and may, after  
34 hearing, remove any member of the board for neglect of duty or other  
35 just cause. No person who has served two successive complete terms is  
36 eligible for reappointment. Appointment to fill an unexpired term is  
37 not considered a complete term. In order to stagger their terms, of

1 the two new appointments made to the board upon June 11, 1992, the  
2 first appointed member shall serve a term of two years initially.

3 **Sec. 4.** RCW 18.04.045 and 1992 c 103 s 4 are each amended to read  
4 as follows:

5 (1) The board shall annually elect a chair, a vice-chair, and a  
6 secretary from its members.

7 (2) A majority of the board constitutes a quorum for the  
8 transaction of business.

9 (3) The board shall have a seal which shall be judicially noticed.

10 (4) The board shall keep records of its proceedings, and of any  
11 proceeding in court arising from or founded upon this chapter. Copies  
12 of these records certified as correct under the seal of the board are  
13 admissible in evidence as tending to prove the content of the records.

14 (5) The governor shall appoint an executive director of the board,  
15 who shall serve at the pleasure of the governor. The executive  
16 director may employ such personnel as is appropriate for carrying out  
17 the purposes of this chapter. The executive director shall hold a  
18 valid Washington ((CPA certificate)) license. The board may arrange  
19 for such volunteer assistance as it requires to perform its duties.  
20 Individuals or committees assisting the board constitute volunteers for  
21 purposes of chapter 4.92 RCW.

22 (6) The board shall file an annual report of its activities with  
23 the governor. The report shall include, but not be limited to, a  
24 statement of all receipts and disbursements. Upon request, the board  
25 shall mail a copy of each annual report to any member of the public.

26 (7) In making investigations concerning alleged violations of the  
27 provisions of this chapter and in all proceedings under RCW 18.04.295  
28 or chapter 34.05 RCW, the board chair, or a member of the board, or a  
29 board designee acting in the chair's place, may administer oaths or  
30 affirmations to witnesses appearing before the board, subpoena  
31 witnesses and compel their attendance, take testimony, and require that  
32 documentary evidence be submitted.

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

1       (9) The board may provide for consumer alerts and public protection  
2 information to be published regarding persons or firms who violate the  
3 provisions of this chapter or board rule and may provide general  
4 consumer protection information to the public.

5       (10) As provided in RCW 18.04.370, the board may enter into  
6 stipulated agreements and orders of assurance with persons who have  
7 violated the provisions of RCW 18.04.345 or certify the facts to the  
8 prosecuting attorney of the county in which such person resides for  
9 criminal prosecution.

10       **Sec. 5.** RCW 18.04.055 and 1992 c 103 s 5 are each amended to read  
11 as follows:

12       The board may adopt and amend rules under chapter 34.05 RCW for the  
13 orderly conduct of its affairs. The board shall prescribe rules  
14 consistent with this chapter as necessary to implement this chapter.  
15 Included may be:

16       (1) Rules of procedure to govern the conduct of matters before the  
17 board;

18       (2) Rules of professional conduct for all ~~((certificate and license~~  
19 ~~holders))~~ licensees, certificate holders, and nonlicensee owners of  
20 licensed firms, in order to establish and maintain high standards of  
21 competence and ethics ~~((of certified public accountants))~~ including  
22 rules dealing with independence, integrity, objectivity, and freedom  
23 from conflicts of interest;

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

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

30       (5) Rules specifying the educational requirements to take the  
31 certified public accountant examination ~~((or for the issuance of the~~  
32 ~~certificate or license of certified public accountant))~~;

33       (6) Rules designed to ensure that ~~((certified public accountants'))~~  
34 licensees' "reports on financial statements" meet the definitional  
35 requirements for that term as specified in RCW 18.04.025;

36       (7) Requirements for ~~((continuing professional education))~~ CPE to  
37 maintain or improve the professional competence of ~~((certificate and~~  
38 ~~license holders))~~ licensees as a condition to maintaining their

1 ~~((certificate or))~~ license ~~((to practice))~~ and certificate holders as  
2 a condition to maintaining their certificate under RCW 18.04.215;

3 (8) Rules governing ~~((sole proprietors, partnerships, and~~  
4 ~~corporations practicing public accounting))~~ firms issuing or offering  
5 to issue reports on financial statements or using the title "certified  
6 public accountant" or "CPA" including, but not limited to, rules  
7 concerning their style, name, title, and affiliation with any other  
8 organization, and establishing reasonable practice and ethical  
9 standards to protect the public interest;

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

17 (10) The board may by rule require licensed firms to obtain  
18 professional liability insurance if in the board's discretion such  
19 insurance provides additional and necessary protection for the public;  
20 ~~((and))~~

21 (11) Rules specifying the experience requirements in order to  
22 qualify for a license;

23 (12) Rules specifying the requirements for certificate holders to  
24 qualify for a license under this chapter which must include provisions  
25 for meeting CPE and experience requirements prior to application for  
26 licensure;

27 (13) Rules specifying the registration requirements, including  
28 ethics examination and fee requirements, for resident nonlicensee  
29 partners, shareholders, and managers of licensed firms;

30 (14) Rules specifying the ethics CPE requirements for certificate  
31 holders and owners of licensed firms, including the process for  
32 reporting compliance with those requirements;

33 (15) Rules specifying the experience and CPE requirements for  
34 licensees offering or issuing reports on financial statements; and

35 (16) Any other rule which the board finds necessary or appropriate  
36 to implement this chapter.

37 **Sec. 6.** RCW 18.04.065 and 1992 c 103 s 6 are each amended to read  
38 as follows:



1       The board shall set its fees at a level adequate to pay the costs  
2 of administering this chapter. (~~Beginning in the 1993-95 biennium,~~)  
3 All fees for (~~certified public accountants'~~) licenses,  
4 (~~certificates,~~) registrations of nonlicensee partners, shareholders,  
5 and managers of licensed firms, renewals of licenses, renewals of  
6 registrations of nonlicensee partners, shareholders, and managers of  
7 licensed firms, renewals of certificates, reinstatements of lapsed  
8 licenses, reinstatements of lapsed certificates, reinstatements of  
9 lapsed registrations of nonlicensee partners, shareholders, and  
10 managers of licensed firms, practice privileges under RCW 18.04.350,  
11 and delinquent filings received under the authority of this chapter  
12 shall be deposited in the certified public accountants' account created  
13 by RCW 18.04.105. Appropriation from such account shall be made only  
14 for the cost of administering the provisions of this chapter.

15       **Sec. 7.** RCW 18.04.105 and 2000 c 171 s 2 are each amended to read  
16 as follows:

17       (1) (~~The certificate of "certified public accountant"~~) A license  
18 to practice public accounting shall be granted by the board to any  
19 person:

20       (a) Who is of good character. Good character, for purposes of this  
21 section, means lack of a history of dishonest or felonious acts. The  
22 board may refuse to grant a (~~certificate~~) license on the ground of  
23 failure to satisfy this requirement only if there is a substantial  
24 connection between the lack of good character of the applicant and the  
25 professional and ethical responsibilities of a (~~certified public~~  
26 ~~accountant~~) licensee and if the finding by the board of lack of good  
27 character is supported by a preponderance of evidence. When an  
28 applicant is found to be unqualified for a (~~certificate~~) license  
29 because of a lack of good character, the board shall furnish the  
30 applicant a statement containing the findings of the board and a notice  
31 of the applicant's right of appeal;

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

34       (~~The board may, in its discretion, waive the educational~~  
35 ~~requirements for any person if it is satisfied through review of~~  
36 ~~documentation of successful completion of an equivalency examination~~  
37 ~~that the person's educational qualifications are an acceptable~~  
38 ~~substitute for the requirements of (b) of this subsection; and~~)

1 (c) Who has passed ~~((a written))~~ an examination;  
2 (d) Who has had one year of experience which is gained:  
3 (i) Through the use of accounting, issuing reports on financial  
4 statements, management advisory, financial advisory, tax, tax advisory,  
5 or consulting skills;  
6 (ii) While employed in government, industry, academia, or public  
7 practice; and  
8 (iii) Meeting the competency requirements in a manner as determined  
9 by the board to be appropriate and established by board rule; and  
10 (e) Who has paid appropriate fees as established by rule by the  
11 board.

12 (2) The examination described in subsection (1)(c) of this section  
13 ~~((shall be in writing, shall be held twice a year, and))~~ shall test the  
14 applicant's knowledge of the subjects of accounting and auditing, and  
15 other related fields the board may specify by rule. The time for  
16 holding the examination is fixed by the board and may be changed from  
17 time to time. The board shall prescribe by rule the methods of  
18 applying for and taking the examination, including methods for grading  
19 ~~((papers))~~ examinations and determining a passing grade required of an  
20 applicant for a ~~((certificate))~~ license. The board shall to the extent  
21 possible see to it that the grading of the examination, and the passing  
22 grades, are uniform with those applicable to all other states. The  
23 board may make use of all or a part of the uniform certified public  
24 accountant examination and advisory grading service of the American  
25 Institute of Certified Public Accountants and may contract with third  
26 parties to perform administrative services with respect to the  
27 examination as the board deems appropriate to assist it in performing  
28 its duties under this chapter. The board shall establish by rule  
29 provisions for transitioning to a new examination structure or to a new  
30 media for administering the examination.

31 ~~((An applicant is required to pass all sections of the~~  
32 ~~examination provided for in subsection (2) of this section in order to~~  
33 ~~qualify for a certificate. If at a given sitting of the examination an~~  
34 ~~applicant passes two or more but not all sections, then the applicant~~  
35 ~~shall be given credit for those sections that he or she passed, and~~  
36 ~~need not take those sections again: PROVIDED, That:~~

37 ~~(a) The applicant took all sections of the examination at that~~  
38 ~~sitting;~~

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

3       ~~(c) The applicant passes the remaining sections of the examination~~  
4 ~~within six consecutive examinations given after the one at which the~~  
5 ~~first sections were passed;~~

6       ~~(d) At each subsequent sitting at which the applicant seeks to pass~~  
7 ~~additional sections, the applicant takes all sections not yet passed;~~  
8 ~~and~~

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

12       ~~(4) The board may waive or defer any of the requirements of~~  
13 ~~subsection (3) of this section for candidates transferring conditional~~  
14 ~~CPA exam credits from other states or for qualifying reciprocity~~  
15 ~~certification applicants who met the conditioning requirements of the~~  
16 ~~state or foreign jurisdiction issuing their original certificate.~~

17       ~~(5))~~ The board shall charge each applicant an examination fee for  
18 the initial examination ~~((under subsection (1) of this section,))~~ or  
19 for reexamination ~~((under subsection (3) of this section for each~~  
20 ~~subject in which the applicant is reexamined))~~. The applicable fee  
21 shall be paid by the person at the time he or she applies for  
22 examination, reexamination, or evaluation of educational  
23 qualifications. Fees for examination, reexamination, or evaluation of  
24 educational qualifications shall be determined by the board under  
25 chapter 18.04 RCW. There is established in the state treasury an  
26 account to be known as the certified public accountants' account. All  
27 fees received from candidates to take any or all sections of the  
28 certified public accountant examination shall be used only for costs  
29 related to the examination.

30       ~~((6) Persons who on June 30, 1986, held certified public~~  
31 ~~accountant certificates previously issued under the laws of this state~~  
32 ~~shall not be required to obtain additional certificates under this~~  
33 ~~chapter, but shall otherwise be subject to this chapter. Certificates~~  
34 ~~previously issued shall, for all purposes, be considered certificates~~  
35 ~~issued under this chapter and subject to its provisions.~~

36       ~~(7) A certificate of a "certified public accountant" under this~~  
37 ~~chapter is issued every three years with renewal subject to~~  
38 ~~requirements of continuing professional education and payment of fees,~~  
39 ~~prescribed by the board.~~

1       ~~(8) The board shall adopt rules providing for continuing~~  
2 ~~professional education for certified public accountants. The rules~~  
3 ~~shall:~~

4       ~~(a) Provide that a certified public accountant shall verify to the~~  
5 ~~board that he or she has completed at least an accumulation of one~~  
6 ~~hundred twenty hours of continuing professional education during the~~  
7 ~~last three year period to maintain the certificate;~~

8       ~~(b) Establish continuing professional education requirements;~~

9       ~~(c) Establish when newly certificated public accountants shall~~  
10 ~~verify that they have completed the required continuing professional~~  
11 ~~education;~~

12       ~~(d) Provide that failure to furnish verification of the completion~~  
13 ~~of the continuing professional education requirement shall make the~~  
14 ~~certificate invalid and subject to reinstatement, unless the board~~  
15 ~~determines that the failure was due to retirement, reasonable cause, or~~  
16 ~~excusable neglect; and~~

17       ~~(e) Provide for transition from existing to new continuing~~  
18 ~~professional education requirements.~~

19       ~~(9) The board may adopt by rule new CPE standards that differ from~~  
20 ~~those in subsection (8) of this section or RCW 18.04.215 if: (a) The~~  
21 ~~new standards are consistent with the continuing professional education~~  
22 ~~standards of other states so as to provide to the greatest extent~~  
23 ~~possible, consistent national standards; and (b) the new standards are~~  
24 ~~at least as strict as the standards set forth in subsection (8) of this~~  
25 ~~section or RCW 18.04.215.)~~

26       (4) Persons who on June 30, 2001, held valid certificates  
27 previously issued under this chapter shall be deemed to be certificate  
28 holders, subject to the following:

29       (a) Certificate holders may, prior to June 30, 2004, petition the  
30 board to become licensees by documenting to the board that they have  
31 gained one year of experience through the use of accounting, issuing  
32 reports on financial statements, management advisory, financial  
33 advisory, tax, tax advisory, or consulting skills, without regard to  
34 the eight-year limitation set forth in (b) of this subsection, while  
35 employed in government, industry, academia, or public practice.

36       (b) Certificate holders who do not petition to become licensees  
37 prior to June 30, 2004, may after that date petition the board to  
38 become licensees by documenting to the board that they have one year of  
39 experience acquired within eight years prior to applying for a license

1 through the use of accounting, issuing reports on financial statements,  
2 management advisory, financial advisory, tax, tax advisory, or  
3 consulting skills in government, industry, academia, or public  
4 practice.

5 (c) Certificate holders who petition the board pursuant to (a) or  
6 (b) of this subsection must also meet competency requirements in a  
7 manner as determined by the board to be appropriate and established by  
8 board rule.

9 (d) Any certificate holder petitioning the board pursuant to (a) or  
10 (b) of this subsection to become a licensee must submit to the board  
11 satisfactory proof of having completed an accumulation of one hundred  
12 twenty hours of CPE during the thirty-six months preceding the date of  
13 filing the petition.

14 (e) Any certificate holder petitioning the board pursuant to (a) or  
15 (b) of this subsection to become a licensee must pay the appropriate  
16 fees established by rule by the board.

17 (5) Certificate holders shall comply with the prohibition against  
18 the practice of public accounting in RCW 18.04.345.

19 (6) Persons who on June 30, 2001, held valid certificates  
20 previously issued under this chapter are deemed to hold inactive  
21 certificates, subject to renewal as inactive certificates, until they  
22 have petitioned the board to become licensees and have met the  
23 requirements of subsection (4) of this section. No individual who did  
24 not hold a valid certificate before July 1, 2001, is eligible to obtain  
25 an inactive certificate.

26 (7) Persons deemed to hold inactive certificates under subsection  
27 (6) of this section shall comply with the prohibition against the  
28 practice of public accounting in subsection (8)(b) of this section and  
29 RCW 18.04.345, but are not required to display the term inactive as  
30 part of their title, as required by subsection (8)(a) of this section  
31 until renewal. Certificates renewed to any persons after June 30,  
32 2001, are inactive certificates and the inactive certificate holders  
33 are subject to the requirements of subsection (8) of this section.

34 (8) Persons holding an inactive certificate:

35 (a) Must use or attach the term "inactive" whenever using the title  
36 CPA or certified public accountant or referring to the certificate, and  
37 print the word "inactive" immediately following the title, whenever the  
38 title is printed on a business card, letterhead, or any other document,

1 including documents published or transmitted through electronic media,  
2 in the same font and font size as the title; and

3 (b) Are prohibited from practicing public accounting.

4 **Sec. 8.** RCW 18.04.180 and 1992 c 103 s 8 are each amended to read  
5 as follows:

6 (1) The board shall issue a ~~((certificate to a holder of a~~  
7 ~~certificate issued by another state, or shall issue a certificate and))~~  
8 license to a holder of a certificate/valid license issued by another  
9 state that entitles the holder to practice public accountancy, provided  
10 that:

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

14 ~~(2))~~ (b) The applicant meets the ~~((continuing professional~~  
15 ~~education))~~ CPE requirements of RCW ~~((18.04.105(8))~~ 18.04.215(5);  
16 ~~((and~~

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

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

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

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

26 ~~(a))~~ (c) The applicant meets the good character requirements of  
27 RCW 18.04.105(1)(a); and

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

31 ~~((b) The applicant:))~~ meets all current requirements in this state  
32 for issuance of a license at the time application is made; or at the  
33 time of the issuance of the applicant's license in the other state, met  
34 all the requirements then applicable in this state; or has had five  
35 years of experience within the ten years immediately preceding  
36 application in the practice of public accountancy that meets the  
37 requirements prescribed by the board.

1       (2) The board may accept NASBA's designation of the applicant as  
2 substantially equivalent to national standards as meeting the  
3 requirement of subsection (1)(d) of this section.

4       (3) A licensee who has been granted a license under the reciprocity  
5 provisions of this section shall notify the board within thirty days if  
6 the license or certificate issued in the other jurisdiction has lapsed  
7 or if the status of the license or certificate issued in the other  
8 jurisdiction becomes otherwise invalid.

9       **Sec. 9.** RCW 18.04.183 and 1999 c 378 s 3 are each amended to read  
10 as follows:

11       The board shall grant a ~~((certificate or))~~ license as a certified  
12 public accountant to a holder of a permit, license, or certificate  
13 issued by a foreign country's board, agency, or institute, provided  
14 that:

15       (1) The foreign country where the foreign permit, license, or  
16 certificate was issued is a party to an agreement on trade with the  
17 United States that encourages the mutual recognition of licensing and  
18 certification requirements for the provision of covered services by the  
19 parties under the trade agreement; ~~((and))~~

20       (2) Such foreign country's board, agency, or institute makes  
21 similar provision to allow a person who holds a valid ~~((certificate))~~  
22 license issued by this state to obtain such foreign country's  
23 comparable permit, license, or certificate; ~~((and))~~

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

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

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

28       (c) Was issued upon the basis of educational, examination,  
29 experience, and ethical requirements substantially equivalent currently  
30 or at the time of issuance of the foreign permit, license, or  
31 certificate to those in this state; ~~((and))~~

32       (4) The applicant has within the thirty-six months prior to  
33 application completed an accumulation of one hundred twenty hours of  
34 ~~((continuing professional education))~~ CPE as required under RCW  
35 ~~((18.04.105(8)))~~ 18.04.215(5). The board shall provide for transition  
36 from existing to new ~~((continuing professional education))~~ CPE  
37 requirements; ~~((and))~~

38       ~~((If the application is for a certificate:~~

1       ~~(a))~~ The applicant's foreign permit, license, or certificate was  
2 the type of permit, license, or certificate requiring the most  
3 stringent qualifications if, in the foreign country, more than one type  
4 of permit, license, or certificate is issued. This state's board shall  
5 decide which are the most stringent qualifications; ~~((and~~

6       ~~(b))~~ (6) The applicant has passed a written examination or its  
7 equivalent, approved by the board, that tests knowledge in the areas of  
8 United States accounting principles, auditing standards, commercial  
9 law, income tax law, and Washington state rules of professional ethics;  
10 ~~((or~~

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

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

14       ~~((b))~~ (7) The applicant has within the ~~((five))~~ eight years prior  
15 to applying for ~~((the certificate and))~~ a license under this section,  
16 demonstrated, in accordance with the rules issued by the board, one  
17 year of public accounting experience, within the foreign country where  
18 the foreign permit, license, or certificate was issued, equivalent to  
19 the experience required under RCW ~~((18.04.215(1)(a))~~ 18.04.105(1)(d)  
20 or such other experience or employment which the board in its  
21 discretion regards as substantially equivalent.

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

27       A licensee who has been granted a license under the reciprocity  
28 provisions of this section shall notify the board within thirty days if  
29 the permit, license, or certificate issued in the other jurisdiction  
30 has lapsed or if the status of the permit, license, or certificate  
31 issued in the other jurisdiction becomes otherwise invalid.

32       **Sec. 10.** RCW 18.04.185 and 1999 c 378 s 4 are each amended to read  
33 as follows:

34       ~~((1) Application for certification as certified public accountants~~  
35 ~~by persons who are not residents of this state constitutes appointment~~  
36 ~~of the secretary of state as an agent for service of process in any~~  
37 ~~action or proceeding against the applicants arising from any~~  
38 ~~transaction, activity, or operation connected with or incidental to the~~



1 ~~practice of public accounting in this state by nonresident holders of~~  
2 ~~certified public accountant certificates.~~

3 (2)) Application for a license to practice public accounting in  
4 this state by a certified public accountant or CPA firm who holds a  
5 license or permit to practice issued by another state constitutes the  
6 appointment of the secretary of state as an agent for service of  
7 process in any action or proceeding against the applicant arising from  
8 any transaction or operation connected with or incidental to the  
9 practice of public accounting in this state by the holder of the  
10 license to practice.

11 **Sec. 11.** RCW 18.04.195 and 1999 c 378 s 5 are each amended to read  
12 as follows:

13 (1) A sole proprietorship engaged in business in this state ((~~in~~  
14 ~~the practice of public accounting~~)) and offering to issue or issuing  
15 reports on financial statements or using the title CPA or certified  
16 public accountant shall license, as a firm, every three years with the  
17 board ((~~as a firm~~)).

18 (a) ((~~The principal purpose and business of the firm shall be to~~  
19 ~~furnish services to the public which are consistent with this chapter~~  
20 ~~and the rules of the board.~~

21 (b)) The ((~~person~~)) sole proprietor shall ((~~be a certified public~~  
22 ~~accountant holding~~)) hold a license to practice under RCW  
23 18.04.215((~~-~~));

24 ((~~e~~)) (b) Each resident ((~~licensee~~)) person in charge of an  
25 office ((~~of the sole proprietorship engaged in this state in the~~  
26 ~~practice of public accounting~~)) located in this state shall ((be a  
27 certified public accountant holding)) hold a license to practice under  
28 RCW 18.04.215; and

29 (c) The licensed firm must meet competency requirements established  
30 by rule by the board.

31 (2) A partnership engaged in business in this state ((~~in the~~  
32 ~~practice of public accounting~~)) and offering to issue or issuing  
33 reports on financial statements or using the title CPA or certified  
34 public accountant shall license as a firm every three years with the  
35 board ((~~as a partnership of certified public accountants~~)), and shall  
36 meet the following requirements:

1       ~~((The principal purpose and business of the partnership shall~~  
2 ~~be to furnish services to the public which are consistent with this~~  
3 ~~chapter and the rules of the board;~~

4       ~~(b))~~ At least one general partner of the partnership shall ~~((be a~~  
5 ~~certified public accountant holding))~~ hold a license to practice under  
6 RCW 18.04.215;

7       ~~((c))~~ (b) Each resident ((licensee)) person in charge of an  
8 office ((of the partnership)) in this state ((and each resident partner  
9 personally engaged within this state in the practice of public  
10 accounting)) shall ((be a certified public accountant holding)) hold a  
11 license to practice under RCW 18.04.215;

12       (c) A simple majority of the ownership of the licensed firm in  
13 terms of financial interests and voting rights of all partners or  
14 owners shall be held by natural persons who are licensees or holders of  
15 a valid license issued under this chapter or by another state that  
16 entitles the holder to practice public accounting in this state. The  
17 principal partner of the partnership and any partner having authority  
18 over issuing reports on financial statements shall hold a license under  
19 this chapter or issued by another state that entitles the holder to  
20 practice public accounting in this state; and

21       (d) The licensed firm must meet competency requirements established  
22 by rule by the board.

23       (3) A corporation ~~((organized for the practice of public accounting~~  
24 ~~and))~~ engaged in business in this state ((in the practice of public  
25 accounting)) and offering to issue or issuing reports on financial  
26 statements or using the title CPA or certified public accountant shall  
27 license as a firm every three years with the board ((as a corporation  
28 of certified public accountants)) and shall meet the following  
29 requirements:

30       ~~((The principal purpose and business of the corporation shall~~  
31 ~~be to furnish services to the public which are consistent with this~~  
32 ~~chapter and the rules of the board; and~~

33       ~~(b) Each shareholder of the corporation shall be a certified public~~  
34 ~~accountant of some state holding a license to practice and shall be))~~  
35 A simple majority of the ownership of the licensed firm in terms of  
36 financial interests and voting rights of all shareholders or owners  
37 shall be held by natural persons who are licensees or holders of a  
38 valid license issued under this chapter or by another state that  
39 entitles the holder to practice public accounting in this state and is

1 principally employed by the corporation or actively engaged in its  
2 business. (~~No other person may have any interest in the stock of the~~  
3 ~~corporation.~~) The principal officer of the corporation and any  
4 officer or director having authority over (~~the practice of public~~  
5 ~~accounting by the corporation~~) issuing reports on financial statements  
6 shall (~~be a certified public accountant of some state holding~~) hold  
7 a license (~~to practice~~) under this chapter or issued by another state  
8 that entitles the holder to practice public accounting in this state;

9 (~~(c)~~) (b) At least one shareholder of the corporation shall (~~be~~  
10 ~~a certified public accountant holding~~) hold a license (~~to practice~~)  
11 under RCW 18.04.215;

12 (~~(d)~~) (c) Each resident (~~licensee~~) person in charge of an  
13 office (~~of the corporation~~) located in this state (~~and each~~  
14 ~~shareholder or director personally engaged within this state in the~~  
15 ~~practice of public accounting~~) shall (~~be a certified public~~  
16 ~~accountant holding~~) hold a license (~~to practice~~) under RCW  
17 18.04.215;

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

26 ~~(f)~~) (e) The corporation shall comply with any other rules  
27 pertaining to corporations practicing public accounting in this state  
28 as the board may prescribe; and

29 (f) The licensed firm must meet competency requirements established  
30 by rule by the board.

31 (4) A limited liability company engaged in business in this state  
32 (~~in the practice of public accounting~~) and offering to issue or  
33 issuing reports on financial statements or using the title CPA or  
34 certified public accountant shall license as a firm every three years  
35 with the board (~~as a limited liability company of certified public~~  
36 ~~accountants~~), and shall meet the following requirements:

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

1       ~~(b))~~ At least one ~~((manager))~~ member of the limited liability  
2 company shall ~~((be a certified public accountant holding))~~ hold a  
3 license ~~((to practice))~~ under RCW 18.04.215;

4       ~~((e))~~ (b) Each resident manager or member in charge of an office  
5 ~~((of the limited liability company))~~ located in this state ~~((and each~~  
6 ~~resident manager or member personally engaged within this state in the~~  
7 ~~practice of public accounting))~~ shall ~~((be a certified public~~  
8 ~~accountant holding))~~ hold a license ~~((to practice))~~ under RCW  
9 18.04.215;

10       (c) A simple majority of the ownership of the licensed firm in  
11 terms of financial interests and voting rights of all owners shall be  
12 held by natural persons who are licensees or holders of a valid license  
13 issued under this chapter or by another state that entitles the holder  
14 to practice public accounting in this state. The principal member or  
15 manager of the limited liability company and any member having  
16 authority over issuing reports on financial statements shall hold a  
17 license under this chapter or issued by another state that entitles the  
18 holder to practice public accounting in this state; and

19       (d) The licensed firm must meet competency requirements established  
20 by rule by the board.

21       (5) Application for a license as a firm shall be made upon the  
22 affidavit of the proprietor or person designated as managing partner,  
23 member, or shareholder for Washington. This person shall ~~((be a~~  
24 ~~certified public accountant holding))~~ hold a license ~~((to practice))~~  
25 under RCW 18.04.215. The board shall determine in each case whether  
26 the applicant is eligible for a license. A partnership ~~((or)),~~  
27 corporation, or limited liability company which is licensed to practice  
28 under RCW 18.04.215 may use the designation "certified public  
29 accountants" or "CPAs" in connection with its partnership, limited  
30 liability company, or corporate name. The board shall be given  
31 notification within ninety days after the admission or withdrawal of a  
32 partner ~~((or)),~~ shareholder, or member engaged in this state in the  
33 practice of public accounting from any partnership ~~((or)),~~ corporation,  
34 or limited liability company so licensed.

35       (6) Licensed firms which fall out of compliance with the provisions  
36 of this section due to changes in firm ownership or personnel, after  
37 receiving or renewing a license, shall notify the board in writing  
38 within thirty days of its falling out of compliance and propose a time  
39 period in which they will come back into compliance. The board may

1 grant a reasonable period of time for a firm to be in compliance with  
2 the provisions of this section. Failure to bring the firm into  
3 compliance within a reasonable period of time, as determined by the  
4 board, may result in suspension, revocation, or imposition of  
5 conditions on the firm's license.

6 (7) Fees for the license as a firm and for notification of the  
7 board of the admission or withdrawal of a partner ((or)), shareholder,  
8 or member shall be determined by the board. Fees shall be paid by the  
9 firm at the time the license application form or notice of admission or  
10 withdrawal of a partner ((or)), shareholder, or member is filed with  
11 the board.

12 (8) Nonlicensee owners of licensed firms are:

13 (a) Required to fully comply with the provisions of this chapter  
14 and board rules;

15 (b) Required to be a natural person;

16 (c) Required to be an active individual participant in the licensed  
17 firm or affiliated entities as these terms are defined by board rule;  
18 and

19 (d) Subject to discipline by the board for violation of this  
20 chapter.

21 (9) Resident nonlicensee owners of licensed firms are required to  
22 meet:

23 (a) The ethics examination, registration, and fee requirements as  
24 established by the board rules; and

25 (b) The ethics CPE requirements established by the board rules.

26 **Sec. 12.** RCW 18.04.205 and 1999 c 378 s 6 are each amended to read  
27 as follows:

28 (1) Each office established or maintained in this state for the  
29 ~~((practice of public accounting))~~ purpose of offering to issue or  
30 issuing reports on financial statements in this state ((by a certified  
31 public accountant, or a partnership or corporation of certified public  
32 accountants)) or that uses the title "certified public accountant" or  
33 "CPA," shall register with the board under this chapter every three  
34 years.

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

1 (3) The board shall by rule prescribe the procedure to be followed  
2 to register and maintain offices established in this state for the  
3 ~~((practice of public accounting))~~ purpose of offering to issue or  
4 issuing reports on financial statements or that use the title  
5 "certified public accountant" or "CPA."

6 (4) Fees for the registration of offices shall be determined by the  
7 board. Fees shall be paid by the applicant at the time the  
8 registration form is filed with the board.

9 **Sec. 13.** RCW 18.04.215 and 1999 c 378 s 7 are each amended to read  
10 as follows:

11 (1) Three-year licenses shall be issued by the board:

12 (a) ~~To ((holders of certificates as certified public accountants~~  
13 ~~who have demonstrated, in accordance with rules issued by the board,~~  
14 ~~one year of public accounting experience, or such other experience or~~  
15 ~~employment which the board in its discretion regards as substantially~~  
16 ~~equivalent and who, if their certificate was issued more than forty-~~  
17 ~~eight months prior to application under this section, submit to the~~  
18 ~~board satisfactory proof of having completed an accumulation of one~~  
19 ~~hundred twenty hours of continuing professional education during the~~  
20 ~~thirty-six months preceding the application;))~~ persons meeting the  
21 requirements of RCW 18.04.105(1), 18.04.180, or 18.04.183.

22 (b) To certificate holders meeting the requirements of RCW  
23 18.04.105(4).

24 (c) To firms under RCW 18.04.195, ((if all offices of the firm in  
25 this state are maintained and registered as required under)) meeting  
26 the requirements of RCW 18.04.205.

27 (2) The board shall, by rule, provide for a system of certificate  
28 and license renewal and reinstatement. Applicants for ~~((issuance or))~~  
29 renewal ~~((of certificates or licenses))~~ or reinstatement shall, at the  
30 time of filing their applications, list with the board all states and  
31 foreign jurisdictions in which they hold or have applied for  
32 certificates, permits or licenses to practice.

33 (3) An inactive certificate is renewed every three years with  
34 renewal subject to the requirements of ethics CPE and the payment of  
35 fees, prescribed by the board. Failure to renew the inactive  
36 certificate shall cause the inactive certificate to lapse and be  
37 subject to reinstatement. The board shall adopt rules providing for

1 fees and procedures for renewal and reinstatement of inactive  
2 certificates.

3 (4) A license is issued every three years with renewal subject to  
4 requirements of CPE and payment of fees, prescribed by the board.  
5 Failure to renew the license shall cause the license to lapse and  
6 become subject to reinstatement. Persons holding a lapsed license are  
7 prohibited from using the title "CPA" or "certified public accountant."  
8 Persons holding a lapsed license are prohibited from practicing public  
9 accountancy. The board shall adopt rules providing for fees and  
10 procedures for issuance, renewal, and reinstatement of licenses.

11 (5) The board shall adopt rules providing for CPE for licensees and  
12 certificate holders. The rules shall:

13 (a) Provide that a licensee shall verify to the board that he or  
14 she has completed at least an accumulation of one hundred twenty hours  
15 of CPE during the last three-year period to maintain the license;

16 (b) Establish CPE requirements; and

17 (c) Establish when new licensees shall verify that they have  
18 completed the required CPE.

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

27 ((~~4~~)) (7) A ((~~certified public accountant~~)) licensee shall submit  
28 to the board satisfactory proof of having completed an accumulation of  
29 one hundred twenty hours of ((~~continuing education~~)) CPE recognized and  
30 approved by the board during the preceding three years. Failure to  
31 furnish this evidence as required shall make the ((~~certificate~~  
32 invalid)) license lapse and subject to reinstatement procedures, unless  
33 the board determines the failure to have been due to retirement((~~7~~)) or  
34 reasonable cause((~~7~~ or excusable neglect)).

35 The board in its discretion may renew a certificate or license  
36 despite failure to furnish evidence of compliance with requirements of  
37 ((~~continuing professional education~~)) CPE upon condition that the  
38 applicant follow a particular program of ((~~continuing professional~~  
39 education)) CPE. In issuing rules and individual orders with respect

1 to (~~continuing professional education~~) CPE requirements, the board,  
2 among other considerations, may rely upon guidelines and pronouncements  
3 of recognized educational and professional associations, may prescribe  
4 course content, duration, and organization, and may take into account  
5 the accessibility of (~~continuing education~~) CPE to (~~applicants~~)  
6 licensees and certificate holders and instances of individual hardship.

7 (~~(5)~~) (8) Fees for (~~issuance or~~) renewal or reinstatement of  
8 certificates and licenses in this state shall be determined by the  
9 board under this chapter (~~(18.04-RCW)~~). Fees shall be paid by the  
10 applicant at the time the application form is filed with the board.  
11 The board, by rule, may provide for proration of fees for  
12 (~~certificates and~~) licenses or certificates issued between normal  
13 renewal dates.

14 **Sec. 14.** RCW 18.04.295 and 2000 c 171 s 1 are each amended to read  
15 as follows:

16 The board (~~of accountancy~~) shall have the power to: Revoke,  
17 suspend, (~~or~~) refuse to renew ((a)), or reinstate a license or  
18 certificate (~~or license, and may~~); impose a fine in an amount not to  
19 exceed ((one)) ten thousand dollars plus the board's investigative and  
20 legal costs in bringing charges against a certified public accountant,  
21 (~~or~~) a certificate holder, a licensee, a licensed firm, or a  
22 nonlicensee holding an ownership interest in a licensed firm; may  
23 impose full restitution to injured parties; may impose conditions  
24 precedent to renewal of ((the)) a certificate or a license ((of any  
25 certified public accountant)); or may prohibit a nonlicensee from  
26 holding an ownership interest in a licensed firm, for any of the  
27 following causes:

28 (1) Fraud or deceit in obtaining a (~~certificate as a certified~~  
29 public accountant, or in obtaining a)) license, or in any filings with  
30 the board;

31 (2) Dishonesty, fraud, or negligence while representing oneself as  
32 a ((CPA)) nonlicensee owner holding an ownership interest in a licensed  
33 firm, a licensee, or a certificate holder;

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

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

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

38 (a) The laws of this state;



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

3 (c) Federal law;

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

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

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

13 (8) Failure to maintain compliance with the requirements for  
14 issuance, renewal, or reinstatement of ~~((the))~~ a certificate or  
15 license, or to report changes to the board;

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

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

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

22 (c) Failure to respond to subpoenas issued by the board, whether or  
23 not the recipient of the subpoena is the accused in the proceeding;

24 (10) Failure by a nonlicensee owner of a licensed firm to comply  
25 with the requirements of this chapter or board rule; and

26 (11) Failure to comply with an order of the board.

27 **Sec. 15.** RCW 18.04.305 and 1992 c 103 s 12 are each amended to  
28 read as follows:

29 The board ~~((of accountancy))~~ may revoke, suspend, or refuse to  
30 renew the license issued to a firm if at any time the firm does not  
31 meet the requirements of this chapter for licensing, or for any of the  
32 causes enumerated in RCW 18.04.295, or for any of the following  
33 additional causes:

34 (1) The revocation or suspension of the ~~((certificate as a~~  
35 ~~certified public accountant))~~ sole-practitioner's license or the  
36 revocation or suspension or refusal to renew the ~~((certificate or))~~  
37 license of any partner, manager, member, or shareholder; ((or))

1 (2) The revocation, suspension, or refusal to renew the license  
2 (~~or permit~~) of the firm, or any partner, manager, member, or  
3 shareholder thereof, to practice public accounting in any other state  
4 or foreign jurisdiction for any cause other than failure to pay a fee  
5 or to meet the CPE requirements of (~~continuing professional education~~  
6 ~~in~~) the other state or foreign jurisdiction;

7 (3) Failure by a nonlicensee owner of a licensed firm to comply  
8 with the requirements of this chapter or board rule; or

9 (4) Failure of the firm to comply with the requirements of this  
10 chapter or board rule.

11 **Sec. 16.** RCW 18.04.335 and 1997 c 58 s 812 are each amended to  
12 read as follows:

13 (1) Upon application in writing and after hearing pursuant to  
14 notice, the board may:

15 (a) Modify the suspension of, or reissue a certificate or a license  
16 to, an individual whose certificate or license has been revoked or  
17 suspended; or

18 (b) Modify the suspension of, or reissue a license to a firm whose  
19 license has been revoked, suspended, or which the board has refused to  
20 renew.

21 (2) In the case of suspension for failure to comply with a support  
22 order under chapter 74.20A RCW (~~or a residential or visitation order~~  
23 ~~under chapter 26.09 RCW~~), if the person has continued to meet all  
24 other requirements for reinstatement during the suspension, reissuance  
25 of a certificate or a license shall be automatic upon the board's  
26 receipt of a release issued by the department of social and health  
27 services stating that the individual is in compliance with the order.

28 **Sec. 17.** RCW 18.04.345 and 1999 c 378 s 8 are each amended to read  
29 as follows:

30 (1) No person may assume or use the designation "certified public  
31 accountant-inactive" or "CPA-inactive" or any other title, designation,  
32 words, letters, abbreviation, sign, card, or device tending to indicate  
33 that the person is a certified public accountant-inactive or CPA-  
34 inactive unless the person holds a (~~valid~~) certificate (~~as a~~  
35 ~~certified public accountant~~). Persons holding only a certificate may  
36 not practice public accounting.

1 (2) No person may hold himself or herself out to the public ((and))  
2 or assume or use the designation "certified public accountant" or "CPA"  
3 or any other title, designation, words, letters, abbreviation, sign,  
4 card, or device tending to indicate that the person is a certified  
5 public accountant or CPA unless the person holds a (~~valid certificate~~  
6 ~~as a certified public accountant and holds a valid~~) license ((to  
7 practice)) under RCW 18.04.215.

8 (3) No firm may hold itself out to the public as offering to issue  
9 or issuing reports on financial statements, or assume or use the  
10 designation "certified public accountant" or "CPA" or any other title,  
11 designation, words, letters, abbreviation, sign, card, or device  
12 tending to indicate that the firm is composed of certified public  
13 accountants or CPAs, unless the firm is licensed under RCW 18.04.195(~~(~~  
14 ~~holds a valid license to practice under RCW 18.04.215,~~) and all  
15 offices of the firm in this state ((~~for the practice of public~~  
16 ~~accounting~~)) are maintained and registered under RCW 18.04.205.

17 (4) No person, partnership, limited liability company, or  
18 corporation offering accounting services to the public may hold  
19 himself, herself, or itself out to the public, or assume or use along,  
20 or in connection with his, hers, or its name, or any other name the  
21 title or designation "certified accountant," "chartered accountant,"  
22 "licensed accountant," "licensed public accountant," "public  
23 accountant," or any other title or designation likely to be confused  
24 with "certified public accountant" or any of the abbreviations "CA,"  
25 "LA," "LPA," or "PA," or similar abbreviations likely to be confused  
26 with "CPA." ((~~However, nothing in this chapter prohibits use of the~~  
27 ~~title "accountant" by any person regardless of whether the person has~~  
28 ~~been granted a certificate or holds a license under this chapter.~~))

29 (5) No licensed firm may operate under an alias, a firm name,  
30 title, or "DBA" that differs from the firm name that is registered with  
31 the board.

32 (6) No person may sign, affix, or associate his or her name or any  
33 trade or assumed name used by the person in his or her business to any  
34 report designated as an "audit," "review," or "compilation," unless the  
35 person holds a license to practice under RCW 18.04.215 and a firm  
36 license under RCW 18.04.195, and all of the person's offices in this  
37 state ((~~for the practice of public accounting are maintained and~~)) are  
38 licensed under RCW 18.04.205.

1       ~~((6))~~ (7) No person may sign, affix, or associate a firm name to  
2 any report designated as an "audit," "review," or "compilation," unless  
3 the firm is licensed under RCW 18.04.195 and 18.04.215, and all of its  
4 offices in this state ~~((for the practice of public accounting))~~ are  
5 maintained and registered under RCW 18.04.205.

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

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

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

20       **Sec. 18.** RCW 18.04.350 and 1992 c 103 s 15 are each amended to  
21 read as follows:

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

29       (2) ~~((Nothing in this chapter prohibits a certified public  
30 accountant registered in another state, or any accountant of a foreign  
31 country holding a certificate, degree or license which permits him to  
32 practice therein from temporarily practicing in this state on  
33 professional business incident to his regular practice))~~ (a) An  
34 individual, whose principal place of business is not in this state, who  
35 has a valid certificate or license as a certified public accountant  
36 from another state, and (i) whose state of licensure has education,  
37 examination, and experience requirements that are deemed by the board  
38 to be substantially equivalent to this state's requirements or (ii)

1 who, as an individual, has education, examination, and experience that  
2 are deemed by the board to be substantially equivalent to this state's  
3 requirement shall have all the privileges of license holders of this  
4 state without the need to obtain a license under RCW 18.04.105 or  
5 18.04.195. However, such individuals shall notify the board, under  
6 such circumstances and in such manner as the board determines by rule,  
7 of their intent to enter the state under this section. The board shall  
8 have the authority to establish a fee for the practice privilege  
9 granted under this section by rule.

10 (b) An individual that enters the state under this section and is  
11 granted this practice privilege shall abide by this chapter and the  
12 rules adopted under this chapter and shall be subject to discipline for  
13 violation of this chapter. However, such individual is exempt from the  
14 continuing education requirements of this chapter provided the  
15 individual has met the continuing education requirements of the state  
16 in which the individual holds a valid certificate or license. The  
17 board may accept NASBA's designation of the individual's state as  
18 substantially equivalent to national standards, or NASBA's designation  
19 of the applicant as substantially equivalent to national standards, as  
20 meeting the requirement for a certified public accountant to be  
21 substantially equivalent to this state's requirements.

22 (c) Any certificate or license holder of another state exercising  
23 the privilege afforded under this section consents, as a condition of  
24 the grant of this privilege:

25 (i) To the personal and subject matter jurisdiction of the board;  
26 (ii) To the appointment of the state board which issued the  
27 certificate or license as their agent upon whom process may be served  
28 in any action or proceeding by this state's board against the  
29 certificate holder or licensee.

30 (d) A licensee of this state offering or rendering services or  
31 using their certified public accountant title in another state shall be  
32 subject to disciplinary action in this state for an act committed in  
33 another state for which the certificate or permit holder would be  
34 subject to discipline for an act committed in the other state provided  
35 the board receives timely notification of the act. Notwithstanding RCW  
36 18.04.295, the board may investigate any complaint made by the board of  
37 accountancy of another state.

38 (3) Nothing in this chapter prohibits a ((certified public  
39 accountant, a partnership, or corporation of certified public

1 ~~accountants~~) licensee, a licensed firm, or any of their employees from  
2 disclosing any data in confidence to other certified public  
3 accountants, quality assurance or peer review teams, partnerships,  
4 limited liability companies, or corporations of public accountants or  
5 to the board or any of its employees engaged in conducting (~~quality,~~)  
6 quality assurance(~~,~~) or peer reviews, or any one of their employees  
7 in connection with quality or peer reviews of that accountant's  
8 accounting and auditing practice conducted under the auspices of  
9 recognized professional associations.

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

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

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

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

27 (6) Nothing in this chapter prohibits any person(~~,~~) or  
28 (~~partnership or corporation~~) firm composed of persons not holding a  
29 license under RCW 18.04.215 from offering or rendering to the public  
30 bookkeeping, accounting, tax services, the devising and installing of  
31 financial information systems, management advisory, or consulting  
32 services, the preparation of tax returns, or the furnishing of advice  
33 on tax matters, the preparation of financial statements, written  
34 statements describing how such financial statements were prepared, or  
35 similar services, provided that persons, partnerships, limited  
36 liability companies, or corporations not holding a license under RCW  
37 18.04.215 who offer or render these services do not designate any  
38 written statement as an "audit report," "review report," or  
39 "compilation report," do not issue any written statement which purports

1 to express or disclaim an opinion on financial statements which have  
2 been audited, and do not issue any written statement which expresses  
3 assurance on financial statements which have been reviewed.

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

7 (8) Nothing contained in this chapter prohibits any person who  
8 holds only a valid (~~certified public accountant~~) certificate from  
9 assuming or using the designation "certified public accountant\_  
10 inactive" or "CPA-inactive" or any other title, designation, words,  
11 letters, sign, card, or device tending to indicate the person is a  
12 (~~certified public accountant~~) certificate holder, provided, that such  
13 person (~~shall~~) does not (~~hold himself or herself out to the public~~  
14 ~~as engaged in the practice of public accounting unless that person~~  
15 ~~holds a valid license in addition to the certificate under RCW~~  
16 ~~18.04.215~~) perform or offer to perform for the public one or more  
17 kinds of services involving the use of accounting or auditing skills,  
18 including issuance of reports on financial statements or of one or more  
19 kinds of management advisory, financial advisory, consulting services,  
20 the preparation of tax returns, or the furnishing of advice on tax  
21 matters.

22 (9) Nothing in this chapter prohibits the use of the title  
23 "accountant" by any person regardless of whether the person has been  
24 granted a certificate or holds a license under this chapter. Nothing  
25 in this chapter prohibits the use of the title "enrolled agent" or the  
26 designation "EA" by any person regardless of whether the person has  
27 been granted a certificate or holds a license under this chapter if the  
28 person is properly authorized at the time of use to use the title or  
29 designation by the United States department of the treasury. The board  
30 shall by rule allow the use of other titles by any person regardless of  
31 whether the person has been granted a certificate or holds a license  
32 under this chapter if the person using the titles or designations is  
33 authorized at the time of use by a nationally recognized entity  
34 sanctioning the use of board authorized titles.

35 **Sec. 19.** RCW 18.04.370 and 1983 c 234 s 19 are each amended to  
36 read as follows:

37 (1) Any person who violates any provision of this chapter, shall be  
38 guilty of a crime, as follows:

1 (a) Any person who violates any provision of this chapter is guilty  
2 of a misdemeanor, and upon conviction thereof, shall be subject to a  
3 fine of not more than ((one)) ten thousand dollars, or to imprisonment  
4 for not more than six months, or to both such fine and imprisonment.

5 (b) Notwithstanding (a) of this subsection, any person who uses a  
6 professional title intended to deceive the public, in violation of RCW  
7 18.04.345, having previously entered into a stipulated agreement and  
8 order of assurance with the board, is guilty of a felony, and upon  
9 conviction thereof, is subject to a fine of not more than ten thousand  
10 dollars, or to imprisonment for not more than two years, or to both  
11 such fine and imprisonment.

12 (2) With the exception of first time violations of RCW 18.04.345,  
13 subject to subsection (3) of this section whenever the board has reason  
14 to believe that any person is violating the provisions of this chapter  
15 it shall certify the facts to the prosecuting attorney of the county in  
16 which such person resides or may be apprehended and the prosecuting  
17 attorney shall cause appropriate proceedings to be brought against such  
18 person.

19 (3) The board may elect to enter into a stipulated agreement and  
20 orders of assurance with persons in violation of RCW 18.04.345 who have  
21 not previously been found to have violated the provisions of this  
22 chapter. The board may order full restitution to injured parties as a  
23 condition of a stipulated agreement and order of assurance.

24 (4) Nothing herein contained shall be held to in any way affect the  
25 power of the courts to grant injunctive or other relief as above  
26 provided.

27 **Sec. 20.** RCW 18.04.380 and 1986 c 295 s 17 are each amended to  
28 read as follows:

29 (1) The display or presentation by a person of a card, sign,  
30 advertisement, or other printed, engraved, or written instrument or  
31 device, bearing a person's name in conjunction with the words  
32 "certified public accountant" or any abbreviation thereof((, or  
33 "licensed public accountant" or any abbreviation thereof, or "public  
34 accountant" or any abbreviation thereof,)) shall be prima facie  
35 evidence in any action brought under this chapter that the person whose  
36 name is so displayed, caused or procured the display or presentation of  
37 the card, sign, advertisement, or other printed, engraved, or written  
38 instrument or device, and that the person is holding himself or herself



1 out to be a licensee, a certified public accountant, or a ((~~public~~  
2 ~~accountant holding a license to practice~~)) person holding a certificate  
3 under this chapter.

4 (2) The display or presentation by a person of a card, sign,  
5 advertisement, or other printed, engraved, or written instrument or  
6 device, bearing a person's name in conjunction with the words certified  
7 public accountant-inactive or any abbreviation thereof is prima facie  
8 evidence in any action brought under this chapter that the person whose  
9 name is so displayed caused or procured the display or presentation of  
10 the card, sign, advertisement, or other printed, engraved, or written  
11 instrument or device, and that the person is holding himself or herself  
12 out to be a certified public accountant-inactive under this chapter.

13 (3) In any ((such)) action under subsection (1) or (2) of this  
14 section, evidence of the commission of a single act prohibited by this  
15 chapter is sufficient to justify an injunction or a conviction without  
16 evidence of a general course of conduct.

17 **Sec. 21.** RCW 18.04.390 and 1992 c 103 s 16 are each amended to  
18 read as follows:

19 (1) In the absence of an express agreement between the ((~~certified~~  
20 ~~public accountant~~)) licensee or licensed firm and the client to the  
21 contrary, all statements, records, schedules, working papers, and  
22 memoranda made by a ((~~certified public accountant~~)) licensee or  
23 licensed firm incident to or in the course of professional service to  
24 clients, except reports submitted by a ((~~certified public accountant to~~  
25 ~~a client~~)) licensee or licensed firm, are the property of the  
26 ((~~certified public accountant~~)) licensee or licensed firm.

27 (2) No statement, record, schedule, working paper, or memorandum  
28 may be sold, transferred, or bequeathed without the consent of the  
29 client or his or her personal representative or assignee, to anyone  
30 other than one or more surviving partners, shareholders, or new  
31 partners or new shareholders of the ((~~accountant~~)) licensee,  
32 partnership, limited liability company, or corporation, or any combined  
33 or merged partnership, limited liability company, or corporation, or  
34 successor in interest.

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

37 (a) A copy of the licensee's working papers or electronic  
38 documents, to the extent that such working papers or electronic

1 documents include records that would ordinarily constitute part of the  
2 client's records and are not otherwise available to the 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 or electronic document beyond the period prescribed in any  
10 other applicable statute.

11 (5) Nothing in this section should be construed as prohibiting any  
12 temporary transfer of workpapers or other material necessary in the  
13 course of carrying out peer reviews or as otherwise interfering with  
14 the disclosure of information pursuant to RCW 18.04.405.

15 **Sec. 22.** RCW 18.04.405 and 1992 c 103 s 17 are each amended to  
16 read as follows:

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

27 (2) This section shall not be construed as limiting the authority  
28 of this state or of the United States or an agency of this state, the  
29 board, or of the United States to subpoena and use such confidential  
30 information obtained by a licensee, or any of their employees in the  
31 course of a professional transaction in connection with any  
32 investigation, public hearing, or other proceeding, nor shall this  
33 section be construed as prohibiting a licensee or certified public  
34 accountant whose professional competence has been challenged in a court  
35 of law or before an administrative agency from disclosing confidential  
36 information as a part of a defense to the court action or  
37 administrative proceeding.

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

18 NEW SECTION. Sec. 23. (1) By December 1, 2002, the board of  
19 accountancy shall report to the senate committee on labor, commerce,  
20 and financial institutions and the house committee on commerce and  
21 labor, or successor committees, on the implementation of this act,  
22 including but not limited to the provisions governing nonlicensee  
23 owners of CPA firms and the fiscal impacts.

24 (2) This section does not affect the board's authority to proceed  
25 with implementation of this act.

26 (3) This section expires January 1, 2003.

27 NEW SECTION. Sec. 24. This act is necessary for the immediate  
28 preservation of the public peace, health, or safety, or support of the  
29 state government and its existing public institutions, and takes effect  
30 July 1, 2001."

31 Correct the title.

--- END ---