

FINAL BILL REPORT

E2SSB 5593

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Synopsis as Enacted

Brief Description: Changing the public accountancy act.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Gardner, Prentice and Winsley).

Senate Committee on Labor, Commerce & Financial Institutions

Senate Committee on Ways & Means

House Committee on Commerce & Labor

House Committee on Appropriations

Background: The Board of Accountancy regulates certified public accountants (CPA), certified public accountant firms, and the practice of public accountancy in Washington State. The board is comprised of seven board members appointed by the Governor.

The board issues CPA certifications to applicants who possess good character, pass all sections of the CPA exam, fulfill education requirements, and pass an ethics exam. Candidates who are initially certified may apply for a license if the candidate demonstrates that he or she has worked for 12 months or 2,000 hours part-time under the direct supervision of a CPA or in a firm that participates in a board approved quality review program, or a government, nonprofit, or private entity that has an agreement with the board.

Generally, public accounting means issuing audit reports, review reports, or compilation reports on financial statements. In order to practice public accounting one must hold both a certificate and a license. Certificate holders, who do not obtain a license, may participate in some accounting activities but they do not practice public accounting. The board has different continuing education requirements for CPAs licensed to practice and reporting on financial statements, for CPAs licensed to practice and not reporting on financial statements, and for certificate holders. There are also non-CPA accounting professionals who perform accounting work, but are not regulated by the Board of Accountancy.

Recently, there has been a joint effort by the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants to create a uniform model act for the regulation of CPAs in all states. There are concerns that Washington should adopt the model act.

Summary: Membership of the Board of Accountancy increases to nine members appointed by the Governor. The board has discretionary rule-making authority regarding consumer alerts, public protection information, and other consumer protection information about violators of the act. The board may enter stipulated agreements and orders of assurance with violators of the act. The board has authority to make rules regarding the new licensing provisions of the act including provisions for transitioning to a new exam structure and setting fees.

Individuals practicing public accounting need only obtain a license. In order to obtain a license in public accounting, an individual must pass a written exam; have one year of experience gained through employment in government, academia, industry or public practice; and the employment must be in accounting, issuing reports on financial statements, management advisory, financial advisory, tax, tax advisory, or consulting skills. The licensee must also meet other requirements as created by the board.

The act defines a certificate holder as someone who holds a certificate of public accountancy, has not become a licensee, maintains continuing educational requirements, and does not practice public accounting. Procedures are created to allow certificate holders and inactive certificate holders to petition the board to become licensees.

Provisions allowing reciprocity of licensing between Washington and other states are added.

A simple majority (51 percent) in a public accounting partnership or corporation must be owned by licensees. In a partnership the principal partner or any other partner having authority over issuing financial statements shall hold a license. In a corporation the principal officer or any other officer or director issuing reports on financial statements must have a license. Any nonlicensed owners of a firm must comply with certain provisions of the act including ethics, registration, and fee requirements.

The Board of Accountancy must report to the Senate Labor, Commerce and Financial Institutions Committee and to the House Commerce and Labor Committee by December 1, 2002, on the implementation of this act, including the fiscal impacts and the provisions governing nonlicensee owners of CPA firms.

Votes on Final Passage:

Senate	39	8
House	89	8 (House amended)
Senate	37	10 (Senate concurred)

Effective: July 1, 2001