
SUBSTITUTE SENATE BILL 5593

State of Washington

57th Legislature

2001 Regular Session

By Senate Committee on Labor, Commerce & Financial Institutions
(originally sponsored by Senators Gardner, Prentice and Winsley)

Read first time 03/05/2001. Referred to Committee on .

1 AN ACT Relating to the public accountancy act; amending RCW
2 18.04.015, 18.04.025, 18.04.035, 18.04.045, 18.04.055, 18.04.065,
3 18.04.105, 18.04.180, 18.04.183, 18.04.185, 18.04.195, 18.04.205,
4 18.04.215, 18.04.295, 18.04.305, 18.04.335, 18.04.345, 18.04.350,
5 18.04.370, 18.04.380, 18.04.390, and 18.04.405; and prescribing
6 penalties.

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

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

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

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

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

16 (i) ~~Persons who hold themselves out ((to the public)) as~~
17 ~~((certified public accountants who offer to perform, or perform for~~
18 ~~clients, professional services, including but not limited to one or~~
19 ~~more kinds of services involving the use of accounting or auditing~~

1 ~~skills, including the issuance of "audit reports," "review reports," or~~
2 ~~"compilation reports" on financial statements, or one or more kinds of~~
3 ~~management advisory, or consulting services, the preparation of tax~~
4 ~~returns, or the furnishing of advice on tax matters, perform such~~
5 ~~services)) licensees or certificate holders conduct themselves in a~~
6 ~~competent, ethical, and professional manner;~~

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

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

15 (iv) A public authority be established to provide for consumer
16 alerts and public protection information to be published regarding
17 persons or firms who violate the provisions of this act or board rule
18 and to provide general consumer protection information to the public;
19 and

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

22 (2) The purpose of this act is to make revisions to chapter 234,
23 Laws of 1983 and chapter 103, Laws of 1992 to: Fortify the public
24 protection provisions of this act; establish one set of qualifications
25 to be a licensee; revise the regulations of certified public
26 accountants; make revisions in the ownership of certified public
27 accounting firms; assure to the greatest extent possible that certified
28 public accountants from Washington state are substantially equivalent
29 with certified public accountants in other states and can therefore
30 perform the duties of certified public accountants in as many states
31 and countries as possible; assure certified public accountants from
32 other states and countries have met qualifications that are
33 substantially equivalent to the certified public accountant
34 qualifications of this state; and clarify the authority of the board of
35 accountancy with respect to the activities of persons holding licenses
36 and certificates under this chapter. It is not the intent of this act
37 to in any way restrict or limit the activities of persons not holding
38 licenses or certificates under this chapter except as otherwise

1 specifically restricted or limited by chapter 234, Laws of 1983 and
2 chapter 103, Laws of 1992.

3 (3) A purpose of chapter 103, Laws of 1992, revising provisions of
4 chapter 234, Laws of 1983, is to clarify the authority of the board of
5 accountancy with respect to the activities of persons holding
6 certificates under this chapter. Furthermore, it is not the intent of
7 chapter 103, Laws of 1992 to in any way restrict or limit the
8 activities of persons not holding certificates under this chapter
9 except as otherwise specifically restricted or limited by chapter 234,
10 Laws of 1983.

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

13 Unless the context clearly requires otherwise, the definitions in
14 this section apply throughout this chapter.

15 (1) "Board" means the board of accountancy created by RCW
16 18.04.035.

17 (2) "Certificate holder" means the holder of a certificate as a
18 certified public accountant who has not petitioned to become a
19 licensee, has maintained continuing professional education requirements
20 and who does not practice public accounting.

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

23 ~~((+3))~~ (4) "State" includes the states of the United States, the
24 District of Columbia, Puerto Rico, Guam, and the United States Virgin
25 Islands.

26 ~~((+4))~~ (5) "Reports on financial statements" means any reports or
27 opinions prepared by ~~((certified public accountants))~~ licensees, based
28 on services performed in accordance with generally accepted auditing
29 standards, standards for attestation engagements, or standards for
30 accounting and review services as to whether the presentation of
31 information used for guidance in financial transactions or for
32 accounting for or assessing the status or performance of commercial and
33 noncommercial enterprises, whether public, private, or governmental,
34 conforms with generally accepted accounting principles or other
35 comprehensive bases of accounting.

36 ~~((+5))~~ (6) The "practice of public accounting" means performing or
37 offering to perform by a person or firm holding itself out to the
38 public as a licensee, for a client or potential client, one or more

1 kinds of services involving the use of accounting or auditing skills,
2 including the issuance of "audit reports," "review reports," or
3 "compilation reports" on financial statements, or one or more kinds of
4 management advisory, or consulting services, or the preparation of tax
5 returns, or the furnishing of advice on tax matters. The "practice of
6 public accounting" shall not include practices that are permitted under
7 the provisions of RCW 18.04.350(~~((6))~~) (7) by persons or firms not
8 required to be licensed under this chapter.

9 ~~((6))~~ (7) "Firm" means a sole proprietorship, a corporation, or
10 a partnership. "Firm" also means a limited liability company formed
11 under chapter 25.15 RCW.

12 ~~((7))~~ (8) "CPE" means continuing professional education.

13 ~~((8))~~ (9) "Certificate" means a certificate as a certified public
14 accountant issued prior to July 1, 2001, as authorized under the
15 provisions of this chapter~~(, or a corresponding certificate issued by~~
16 ~~another state or foreign jurisdiction that is recognized in accordance~~
17 ~~with the reciprocity provisions of RCW 18.04.180 and 18.04.183))~~.

18 ~~((9))~~ (10) "Licensee" means the holder of a ~~((valid))~~ license to
19 practice public accountancy issued under this chapter.

20 ~~((10))~~ (11) "License" means a license to practice public
21 accountancy issued to an individual under this chapter, or a license
22 issued to a firm under this chapter.

23 ~~((11))~~ (12) "Manager" means a manager of a limited liability
24 company licensed as a firm under this chapter.

25 (13) "NASBA" means the national association of state boards of
26 accountancy.

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

33 ~~((12) "Quality review")~~ (15) "Peer review" means a study,
34 appraisal, or review of one or more aspects of the ~~((professional))~~
35 attest work of a ~~((person))~~ licensee or licensed firm in the practice
36 of public accountancy, by a person or persons who hold ~~((certificates))~~
37 licenses and who are not affiliated with the person or firm being
38 reviewed, including a peer review, or any internal review or inspection
39 intended to comply with quality control policies and procedures, but

1 not including the "quality assurance review" under subsection ~~((11))~~
2 (14) of this section.

3 ~~((13))~~ (16) "Review committee" means any person carrying out,
4 administering or overseeing a ~~((quality))~~ peer review authorized by the
5 reviewee.

6 ~~((14))~~ (17) "Rule" means any rule adopted by the board under
7 authority of this chapter.

8 ~~((15))~~ (18) "Holding out" means any representation to the public
9 by the use of restricted titles as set forth in RCW 18.04.345 by a
10 person or firm that the person or firm ~~((is a certified public~~
11 ~~accountant))~~ holds a license or certificate under this chapter and that
12 the person or firm offers to perform any professional services to the
13 public as a ~~((certified public accountant))~~ licensee. "Holding out"
14 shall not affect or limit ~~((a person not required to hold a certificate~~
15 ~~under this chapter or))~~ a person or firm not required to hold a license
16 under this chapter from engaging in practices identified in RCW
17 18.04.350~~((6))~~.

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

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

36 (2) The members of the board ~~((of accountancy))~~ shall be appointed
37 by the governor to a term of three years. Vacancies occurring during
38 a term shall be filled by appointment for the unexpired term. Upon the

1 expiration of a member's term of office, the member shall continue to
2 serve until a successor has been appointed and has assumed office. The
3 governor shall remove from the board any member whose ((certificate
4 or)) license to practice has been revoked or suspended and may, after
5 hearing, remove any member of the board for neglect of duty or other
6 just cause. No person who has served two successive complete terms is
7 eligible for reappointment. Appointment to fill an unexpired term is
8 not considered a complete term. In order to stagger their terms, of
9 the two new appointments made to the board upon June 11, 1992, the
10 first appointed member shall serve a term of two years initially.

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

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

15 (2) A majority of the board constitutes a quorum for the
16 transaction of business.

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

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

22 (5) The governor shall appoint an executive director of the board,
23 who shall serve at the pleasure of the governor. The executive
24 director may employ such personnel as is appropriate for carrying out
25 the purposes of this chapter. The executive director shall hold a
26 valid Washington ((CPA certificate)) license. The board may arrange
27 for such volunteer assistance as it requires to perform its duties.
28 Individuals or committees assisting the board constitute volunteers for
29 purposes of chapter 4.92 RCW.

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

34 (7) In making investigations concerning alleged violations of the
35 provisions of this chapter and in all proceedings under RCW 18.04.295
36 or chapter 34.05 RCW, the board chair, or a member of the board, or a
37 board designee acting in the chair's place, may administer oaths or
38 affirmations to witnesses appearing before the board, subpoena

1 witnesses and compel their attendance, take testimony, and require that
2 documentary evidence be submitted.

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

9 (9) The board shall provide for consumer alerts and public
10 protection information to be published regarding persons or firms who
11 violate the provisions of this act or board rule and shall provide
12 general consumer protection information to the public.

13 (10) The board may enter into stipulated agreements and orders of
14 assurance with persons who have violated the provisions of RCW
15 18.04.345 or certify the facts to the prosecuting attorney of the
16 county in which such person resides for criminal prosecution.

17 (11) The board may order restitution as a condition of a stipulated
18 agreement and order of assurance.

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

21 The board may adopt and amend rules under chapter 34.05 RCW for the
22 orderly conduct of its affairs. The board shall prescribe rules
23 consistent with this chapter as necessary to implement this chapter.
24 Included may be:

25 (1) Rules of procedure to govern the conduct of matters before the
26 board;

27 (2) Rules of professional conduct for all ~~((certificate and license~~
28 ~~holders))~~ licensees, persons holding certificates, and nonlicensee
29 owners of licensed firms, in order to establish and maintain high
30 standards of competence and ethics ~~((of certified public accountants))~~
31 including rules dealing with independence, integrity, objectivity, and
32 freedom from conflicts of interest;

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

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

1 (5) Rules specifying the educational requirements to take the
2 certified public accountant examination ((or for the issuance of the
3 certificate or license of certified public accountant));

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

7 (7) Requirements for ((~~continuing professional education~~) CPE to
8 maintain or improve the professional competence of ((~~certificate and~~
9 license holders)) licensees as a condition to maintaining their
10 ((~~certificate or~~) license ((to practice)) and certificate holders as
11 a condition to maintaining their certificate under RCW 18.04.215;

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

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

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

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

32 (12) Rules specifying the requirements for certificate holders to
33 qualify for a license under this chapter which must include provisions
34 for meeting CPE and experience requirements prior to application for
35 licensure;

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

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

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

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

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

10 The board shall set its fees at a level adequate to pay the costs
11 of administering this chapter. ~~((Beginning in the 1993-95 biennium,))~~
12 All fees for ((certified—public—accountants')) licenses,
13 ((certificates,)) registrations of nonlicensee partners, shareholders,
14 and managers of licensed firms, renewals of licenses, renewals of
15 certificates, reinstatements of lapsed licenses, reinstatements of
16 lapsed certificates, reinstatements of lapsed registrations of
17 nonlicensee partners, shareholders, and managers of licensed firms, and
18 delinquent filings received under the authority of this chapter shall
19 be deposited in the certified public accountants' account created by
20 RCW 18.04.105. Appropriation from such account shall be made only for
21 the cost of administering the provisions of this chapter.

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

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

27 (a) Who is of good character. Good character, for purposes of this
28 section, means lack of a history of dishonest or felonious acts. The
29 board may refuse to grant a ~~((certificate))~~ license on the ground of
30 failure to satisfy this requirement only if there is a substantial
31 connection between the lack of good character of the applicant and the
32 professional and ethical responsibilities of a ~~((certified public~~
33 ~~accountant))~~ licensee and if the finding by the board of lack of good
34 character is supported by a preponderance of evidence. When an
35 applicant is found to be unqualified for a ~~((certificaeate))~~ license
36 because of a lack of good character, the board shall furnish the

1 applicant a statement containing the findings of the board and a notice
2 of the applicant's right of appeal;

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

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

10 (c) Who has passed ((a written)) an examination;

11 (d) Who has had one year of experience which is gained:

12 (i) Through the use of accounting, issuing reports on financial
13 statements, management advisory, financial advisory, tax, tax advisory,
14 or consulting skills;

15 (ii) While employed in government, industry, academia, or public
16 practice; and

17 (iii) Meeting the competency requirements determined by the board
18 to be appropriate and established by board rule; and

19 (e) Who has paid appropriate fees as established by rule by the
20 board.

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

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

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

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

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

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

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

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

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

38 ~~((6) Persons who on June 30, 1986, held certified public~~
39 ~~accountant certificates previously issued under the laws of this state~~

1 shall not be required to obtain additional certificates under this
2 chapter, but shall otherwise be subject to this chapter. Certificates
3 previously issued shall, for all purposes, be considered certificates
4 issued under this chapter and subject to its provisions.

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

9 (8) The board shall adopt rules providing for continuing
10 professional education for certified public accountants. The rules
11 shall:

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

16 (b) Establish continuing professional education requirements;

17 (c) Establish when newly certificated public accountants shall
18 verify that they have completed the required continuing professional
19 education;

20 (d) Provide that failure to furnish verification of the completion
21 of the continuing professional education requirement shall make the
22 certificate invalid and subject to reinstatement, unless the board
23 determines that the failure was due to retirement, reasonable cause, or
24 excusable neglect; and

25 (e) Provide for transition from existing to new continuing
26 professional education requirements.

27 (9) The board may adopt by rule new CPE standards that differ from
28 those in subsection (8) of this section or RCW 18.04.215 if: (a) The
29 new standards are consistent with the continuing professional education
30 standards of other states so as to provide to the greatest extent
31 possible, consistent national standards; and (b) the new standards are
32 at least as strict as the standards set forth in subsection (8) of this
33 section or RCW 18.04.215.)

34 (4) Persons who on June 30, 2001, held valid certificates
35 previously issued under this chapter shall be deemed to hold
36 certificates, subject to the following:

37 (a) Certificate holders may, prior to June 30, 2004, petition the
38 board to become licensees by documenting to the board that they have
39 gained one year of experience through the use of accounting, issuing

1 reports on financial statements, management advisory, financial
2 advisory, tax, tax advisory, or consulting skills, without regard to
3 the eight-year limitation set forth in (b) of this subsection, while
4 employed in government, industry, academia, or public practice.

5 (b) Certificate holders who do not petition to become licensees
6 prior to June 30, 2004, may after that date petition the board to
7 become licensees by documenting to the board that they have one year of
8 experience acquired within eight years prior to applying for a license
9 through the use of accounting, issuing reports on financial statements,
10 management advisory, financial advisory, tax, tax advisory, or
11 consulting skills in government, industry, academia, or public
12 practice.

13 (c) Certificate holders who petition the board pursuant to (a) or
14 (b) of this subsection must also meet competency requirements
15 determined by the board to be appropriate and established by board
16 rule.

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

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

25 (5) Persons deemed to hold certificates under subsection (4) of
26 this section shall comply with the prohibition against the practice of
27 public accounting in RCW 18.04.345.

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

30 (1) The board shall issue a ((certificate to a holder of a
31 certificate issued by another state, or shall issue a certificate and))
32 license to a holder of a ((certificate/))valid license or certificate
33 issued by another state that entitles the holder to practice public
34 accountancy, provided that:

35 ((+1)) (a) Such state makes similar provision to grant reciprocity
36 to a holder of a ((certificate or)) valid certificate ((and valid)) or
37 license in this state; ((and

1 ~~(2))~~ (b) The applicant meets the ~~((continuing professional~~
2 education)) CPE requirements of RCW ~~((18.04.105(8))~~ 18.04.215(4);
3 ~~((and~~

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

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

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

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

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

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

18 ~~((b) The applicant:))~~ meets all current requirements in this state
19 for issuance of a license at the time application is made; or at the
20 time of the issuance of the applicant's license in the other state, met
21 all the requirements then applicable in this state; or has had five
22 years of experience within the ten years immediately preceding
23 application in the practice of public accountancy that meets the
24 requirements prescribed by the board.

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

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

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

35 The board shall grant a ~~((certificate or))~~ license as a certified
36 public accountant to a holder of a permit, license, or certificate
37 issued by a foreign country's board, agency, or institute, provided
38 that:

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

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

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

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

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

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

18 (4) The applicant has within the thirty-six months prior to
19 application completed an accumulation of one hundred twenty hours of
20 ~~((continuing professional education))~~ CPE as required under RCW
21 ~~((18.04.105(8)))~~ 18.04.215(4). The board shall provide for transition
22 from existing to new ~~((continuing professional education))~~ CPE
23 requirements; ~~((and))~~

24 ~~((5))~~ ~~((If the application is for a certificate:~~

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

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

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

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

38 ~~((b)))~~ (7) The applicant has within the ~~((five))~~ eight years prior
39 to applying for ~~((the certificate and))~~ a license under this section,

1 demonstrated, in accordance with the rules issued by the board, one
2 year of public accounting experience, within the foreign country where
3 the foreign permit, license, or certificate was issued, equivalent to
4 the experience required under RCW 18.04.215(1)(a) or such other
5 experience or employment which the board in its discretion regards as
6 substantially equivalent.

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

12 A licensee who has been granted a license under the reciprocity
13 provisions of this section shall notify the board within thirty days if
14 the permit, license, or certificate issued in the other jurisdiction
15 has lapsed or if the status of the permit, license, or certificate
16 issued in the other jurisdiction becomes otherwise invalid.

17 **Sec. 10.** RCW 18.04.185 and 1999 c 378 s 4 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 license to practice public accounting in
27 this state by a certified public accountant or CPA firm who holds a
28 license or permit to practice issued by another state constitutes the
29 appointment of the secretary of state as an agent for service of
30 process in any action or proceeding against the applicant arising from
31 any transaction or operation connected with or incidental to the
32 practice of public accounting in this state by the holder of the
33 license to practice.

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

36 (1) A sole proprietorship engaged in this state ~~((in the practice~~
37 ~~of public accounting))~~ and offering to issue or issuing reports on

1 financial statements or using the title CPA or certified public
2 accountant shall license, as a firm, every three years with the board
3 ((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)) sole proprietor shall ((be a certified public
8 accountant—holding)) hold a license to practice under RCW
9 18.04.215((-));

10 ((-e)) (b) Each resident ((licensee)) person in charge of an
11 office ((of the sole proprietorship engaged in this state in the
12 practice of public accounting)) located in this state shall ((be a
13 certified public accountant holding)) hold a license to practice under
14 RCW 18.04.215; and

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

17 (2) A partnership engaged in this state ((in the practice of public
18 accounting)) and offering to issue or issuing reports on financial
19 statements or using the title CPA or certified public accountant shall
20 license as a firm every three years with the board ((as a partnership
21 of certified public accountants)), and shall meet the following
22 requirements:

23 (a) ~~((The principal purpose and business of the partnership shall~~
24 ~~be to furnish services to the public which are consistent with this~~
25 ~~chapter and the rules of the board;~~

26 (b)) At least one general partner of the partnership shall ((be a
27 certified public accountant holding)) hold a license to practice under
28 RCW 18.04.215;

29 ((-e)) (b) Each resident ((licensee)) person in charge of an
30 office ((of the partnership)) in this state ((and each resident partner
31 personally engaged within this state in the practice of public
32 accounting)) shall ((be a certified public accountant holding)) hold a
33 license to practice under RCW 18.04.215;

34 (c) A simple majority of the ownership of the licensed firm in
35 terms of financial interests and voting rights of all partners or
36 owners shall be held by natural persons who are licensees or holders of
37 a valid license or certificate issued under this chapter or by another
38 state that entitles the holder to practice public accounting. The
39 principal partner of the partnership and any partner having authority

1 over issuing reports on financial statements shall hold a license under
2 this chapter or issued by another state that entitles the holder to
3 practice public accounting; and

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

6 ~~(3) A corporation ((organized for the practice of public accounting~~
7 ~~and)) engaged in this state ((in the practice of public accounting))~~
8 and offering to issue or issuing reports on financial statements or
9 using the title CPA or certified public accountant shall license as a
10 firm every three years with the board ((as a corporation of certified
11 public accountants)) and shall meet the following requirements:

12 ~~(a) ((The principal purpose and business of the corporation shall~~
13 ~~be to furnish services to the public which are consistent with this~~
14 ~~chapter and the rules of the board; and~~

15 ~~(b) Each shareholder of the corporation shall be a certified public~~
16 ~~accountant of some state holding a license to practice and shall be))~~
17 A simple majority of the ownership of the licensed firm in terms of
18 financial interests and voting rights of all shareholders or owners
19 shall be held by natural persons who are licensees or holders of a
20 valid license or certificate issued under this chapter or by another
21 state that entitles the holder to practice public accounting and is
22 principally employed by the corporation or actively engaged in its
23 business. ((No other person may have any interest in the stock of the
24 corporation.)) The principal officer of the corporation and any
25 officer or director having authority over ((the practice of public
26 accounting by the corporation)) issuing reports on financial statements
27 shall ((be a certified public accountant of some state holding)) hold
28 a license ((to practice)) under this chapter or issued by another state
29 that entitles the holder to practice public accounting;

30 ~~((e))~~ (b) At least one shareholder of the corporation shall ((be
31 a certified public accountant holding)) hold a license ((to practice))
32 under RCW 18.04.215;

33 ~~((d))~~ (c) Each resident ((licensee)) person in charge of an
34 office ((of the corporation)) located in this state ((and each
35 shareholder or director personally engaged within this state in the
36 practice of public accounting)) shall ((be a certified public
37 accountant holding)) hold a license ((to practice)) under RCW
38 18.04.215;

1 ~~((e))~~ (d) A written agreement shall bind the corporation or its
2 shareholders to purchase any shares offered for sale by, or not under
3 the ownership or effective control of, a qualified shareholder, and
4 bind any holder not a qualified shareholder to sell the shares to the
5 corporation or its qualified shareholders. The agreement shall be
6 noted on each certificate of corporate stock. The corporation may
7 purchase any amount of its stock for this purpose, notwithstanding any
8 impairment of capital, as long as one share remains outstanding; ~~(and~~
9 ~~(f))~~ (e) The corporation shall comply with any other rules
10 pertaining to corporations practicing public accounting in this state
11 as the board may prescribe; and

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

14 (4) A limited liability company engaged in this state ~~((in the~~
15 ~~practice of public accounting))~~ and offering to issue or issuing
16 reports on financial statements or using the title CPA or certified
17 public accountant shall license as a firm every three years with the
18 board ~~((as a limited liability company of certified public~~
19 ~~accountants))~~, and shall meet the following requirements:

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

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

26 ~~((e))~~ (b) Each resident manager or member in charge of an office
27 ~~((of the limited liability company))~~ located in this state ~~((and each~~
28 ~~resident manager or member personally engaged within this state in the~~
29 ~~practice of public accounting))~~ shall ~~((be a certified public~~
30 ~~accountant holding))~~ hold a license ~~((to practice))~~ under RCW
31 18.04.215;

32 (c) A simple majority of the ownership of the licensed firm in
33 terms of financial interests and voting rights of all owners shall be
34 held by natural persons who are licensees or holders of a valid license
35 or certificate issued under this chapter or by another state that
36 entitles the holder to practice public accounting. The principal
37 member or manager of the limited liability company and any member
38 having authority over issuing reports on financial statements shall

1 hold a license under this chapter or issued by another state that
2 entitles the holder to practice public accounting; and

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

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

19 (6) Licensed firms which fall out of compliance with the provisions
20 of this section due to changes in firm ownership or personnel, after
21 receiving or renewing a license, shall immediately take corrective
22 action to bring the firm back into compliance. The board may grant a
23 reasonable period of time for a firm to be in compliance with the
24 provisions of this section. Failure to bring the firm into compliance
25 within a reasonable period of time, as determined by the board, may
26 result in suspension, revocation, or imposition of conditions on the
27 firm's license.

28 (7) Fees for the license as a firm and for notification of the
29 board of the admission or withdrawal of a partner ~~((or)),~~ shareholder,
30 or member shall be determined by the board. Fees shall be paid by the
31 firm at the time the license application form or notice of admission or
32 withdrawal of a partner ~~((or)),~~ shareholder, or member is filed with
33 the board.

34 (8) Nonlicensee owners of licensed firms are:

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

37 (b) Required to be a natural person and an active individual
38 participant in the licensed firm or affiliated entities as defined by
39 board rule; and

1 (c) Subject to discipline by the board for violation of this
2 chapter.

3 (9) Resident nonlicensee owners of licensed firms are required to
4 meet:

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

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

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

10 (1) Each office established or maintained in this state for the
11 ~~((practice of public accounting))~~ purpose of offering to perform or
12 issuing reports on financial statements in this state ~~((by a certified~~
13 ~~public accountant, or a partnership or corporation of certified public~~
14 ~~accountants))~~ or that uses the title "certified public accountant" or
15 "CPA," shall register with the board under this chapter every three
16 years.

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

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

25 (4) Fees for the registration of offices shall be determined by the
26 board. Fees shall be paid by the applicant at the time the
27 registration form is filed with the board.

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

30 (1) ~~((Three-year licenses shall be issued by the board:))~~ Licenses
31 issued by the board shall be for three years.

32 (a) To holders of certificates ~~((as certified public accountants))~~
33 who have demonstrated they meet the experience requirements of RCW
34 18.04.105, ~~((in accordance with rules issued by the board, one year of~~
35 ~~public accounting experience, or such other experience or employment~~
36 ~~which the board in its discretion regards as substantially equivalent))~~
37 and who, if their certificate was issued more than forty-eight months

1 prior to application (~~((under this section))~~) for a license, submit to
2 the board satisfactory proof of having completed an accumulation of one
3 hundred twenty hours of (~~((continuing professional education))~~) CPE
4 during the thirty-six months preceding the application;

5 (b) To firms under RCW 18.04.195, (~~((if all offices of the firm in~~
6 ~~this state are maintained and registered as required under))~~) meeting
7 the requirements of RCW 18.04.205.

8 (2) The board shall, by rule, provide for a system of certificate
9 and license renewal and reinstatement. Applicants for (~~((issuance or))~~)
10 renewal (~~((of certificates or licenses))~~) or reinstatement shall, at the
11 time of filing their applications, list with the board all states and
12 foreign jurisdictions in which they hold or have applied for
13 certificates, permits or licenses to practice.

14 (3) A license or certificate is issued every three years with
15 renewal subject to requirements of CPE and payment of fees, prescribed
16 by the board. Failure to renew the license or certificate shall cause
17 the license or certificate to lapse and become subject to
18 reinstatement. Persons holding a lapsed license or certificate are
19 prohibited from using the title "CPA" or "certified public accountant."
20 Persons holding a lapsed license are prohibited from practicing public
21 accountancy. The board shall adopt rules providing for fees and
22 procedures for issuance, renewal, and reinstatement of license or
23 certificate.

24 (4) The board shall adopt rules providing for CPE for licensees or
25 certificate holders. The rules shall:

26 (a) Provide that a licensee or certificate holder shall verify to
27 the board that he or she has completed at least an accumulation of one
28 hundred twenty hours of CPE during the last three-year period to
29 maintain the license or certificate;

30 (b) Establish CPE requirements; and

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

33 (5) A certified public accountant who holds a permit or license
34 issued by another state, and applies for a license in this state, may
35 practice in this state from the date of filing a completed application
36 with the board, until the board has acted upon the application provided
37 the application is made prior to holding out as a certified public
38 accountant in this state and no sanctions or investigations, deemed by

1 the board to be pertinent to public accountancy, by other jurisdictions
2 or agencies are in process.

3 ~~((4))~~ (6) A ~~((certified public accountant))~~ licensee or
4 certificate holder shall submit to the board satisfactory proof of
5 having completed an accumulation of one hundred twenty hours of
6 ~~((continuing education))~~ CPE recognized and approved by the board
7 during the preceding three years. Failure to furnish this evidence as
8 required shall make the ~~((certificate invalid))~~ license or certificate
9 lapse and subject to reinstatement procedures, unless the board
10 determines the failure to have been due to retirement~~((7))~~ or
11 reasonable cause~~((, or excusable neglect))~~.

12 The board in its discretion may renew a certificate or license
13 despite failure to furnish evidence of compliance with requirements of
14 ~~((continuing professional education))~~ CPE upon condition that the
15 applicant follow a particular program of ~~((continuing professional~~
16 ~~education))~~ CPE. In issuing rules and individual orders with respect
17 to ~~((continuing professional education))~~ CPE requirements, the board,
18 among other considerations, may rely upon guidelines and pronouncements
19 of recognized educational and professional associations, may prescribe
20 course content, duration, and organization, and may take into account
21 the accessibility of ~~((continuing education))~~ CPE to ~~((applicants))~~
22 licensees and certificate holders and instances of individual hardship.

23 ~~((5))~~ (7) Fees for ~~((issuance or))~~ renewal or reinstatement of
24 certificates and licenses in this state shall be determined by the
25 board under this chapter ~~((18.04 RCW))~~. Fees shall be paid by the
26 applicant at the time the application form is filed with the board.
27 The board, by rule, may provide for proration of fees for
28 ~~((certificates and))~~ licenses or certificates issued between normal
29 renewal dates.

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

32 The board ~~((of accountancy))~~ shall have the power to: Revoke,
33 suspend, ~~((or))~~ refuse to renew ((a)), or reinstate a license or
34 certificate ((or license, and may)); impose a fine in an amount not to
35 exceed ~~((one))~~ ten thousand dollars plus the board's investigative and
36 legal costs in bringing charges against a certified public accountant,
37 ~~((or))~~ a certificate holder, a licensee, a licensed firm, or a
38 nonlicensee holding an ownership interest in a licensed firm; may

1 impose full restitution to injured parties; may impose conditions
2 precedent to renewal of ((the)) a certificate or a license ((of any
3 certified public accountant)); or may prohibit a nonlicensee from
4 holding an ownership interest in a licensed firm, for any of the
5 following causes:

6 (1) Fraud or deceit in obtaining a ((certificate as a certified
7 public accountant, or in obtaining a)) license, or in any filings with
8 the board;

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

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

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

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

16 (a) The laws of this state;

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

19 (c) Federal law;

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

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

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

29 (8) Failure to maintain compliance with the requirements for
30 issuance, renewal, or reinstatement of ((the)) a certificate or
31 license, or to report changes to the board;

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

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

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

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

- 1 (10) Failure by a nonlicensee owner of a licensed firm to comply
2 with the requirements of this chapter or board rule; and
3 (11) Failure to comply with an order of the board.

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

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

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

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

21 (3) Failure by a nonlicensee owner of a licensed firm to comply
22 with the requirements of this chapter or board rule.

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

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

27 (a) Modify the suspension of, or reissue a certificate or a license
28 to, an individual whose certificate or license has been revoked or
29 suspended; or

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

33 (2) In the case of suspension for failure to comply with a support
34 order under chapter 74.20A RCW (~~(or a residential or visitation order~~
35 ~~under chapter 26.09 RCW)), if the person has continued to meet all~~
36 other requirements for reinstatement during the suspension, reissuance
37 of a certificate or a license shall be automatic upon the board's

1 receipt of a release issued by the department of social and health
2 services stating that the individual is in compliance with the order.

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

5 (1) No person may assume or use the designation "certified public
6 accountant" or "CPA" or any other title, designation, words, letters,
7 abbreviation, sign, card, or device tending to indicate that the person
8 is a certified public accountant or CPA unless the person holds a
9 ~~((valid))~~ certificate ~~((as a certified public accountant))~~. Persons
10 holding a certificate may not practice public accounting.

11 (2) No person may hold himself or herself out to the public ~~((and))~~
12 or assume or use the designation "certified public accountant" or "CPA"
13 or any other title, designation, words, letters, abbreviation, sign,
14 card, or device tending to indicate that the person is a certified
15 public accountant or CPA unless the person holds a ~~((valid certificate~~
16 ~~as a certified public accountant and holds a valid))~~ license ~~((to~~
17 ~~practice))~~ under RCW 18.04.215.

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

27 (4) No person, partnership, or corporation offering accounting
28 services to the public may hold himself, herself, or itself out to the
29 public, or assume or use along, or in connection with his, hers, or its
30 name, or any other name the title or designation "certified
31 accountant," "chartered accountant," "licensed accountant," "licensed
32 public accountant," "public accountant," or any other title or
33 designation likely to be confused with "certified public accountant" or
34 any of the abbreviations "CA," "LA," "LPA," or "PA," or similar
35 abbreviations likely to be confused with "CPA." ~~((However, nothing in~~
36 ~~this chapter prohibits use of the title "accountant" by any person~~
37 ~~regardless of whether the person has been granted a certificate or~~
38 ~~holds a license under this chapter.))~~

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

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

11 (~~((6))~~) (7) No person may sign, affix, or associate a firm name to
12 any report designated as an "audit," "review," or "compilation," unless
13 the firm is licensed under RCW 18.04.195 and 18.04.215, and all of its
14 offices in this state (~~((for the practice of public accounting))~~) are
15 maintained and registered under RCW 18.04.205.

16 (~~((7))~~) (8) No person, partnership, or corporation not holding a
17 license to practice under RCW 18.04.215 may hold himself, herself, or
18 itself out to the public as an "auditor" with or without any other
19 description or designation by use of such word on any sign, card,
20 letterhead, or in any advertisement or directory.

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

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

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

32 (1) Nothing in this chapter prohibits any person not (~~(a certified~~
33 ~~public accountant)) holding a license from serving as an employee of a
34 firm licensed, (~~((or as assistant to, a certified public accountant or~~
35 ~~partnership composed of certified public accountants or corporation of~~
36 ~~certified public accountants holding a valid license))~~) under RCW
37 18.04.215. However, the employee or assistant shall not issue any
38 accounting or financial statement over his or her name.~~

1 (2) (~~Nothing in this chapter prohibits a certified public~~
2 ~~accountant registered in another state, or any accountant of a foreign~~
3 ~~country holding a certificate, degree or license which permits him to~~
4 ~~practice therein from temporarily practicing in this state on~~
5 ~~professional business incident to his regular practice)) (a) An
6 individual, whose principal place of business is not in this state, who
7 has a valid certificate or license as a certified public accountant
8 from another state, and (i) whose state of licensure has education,
9 examination, and experience requirements that are deemed by the board
10 to be substantially equivalent to this state's requirements or (ii)
11 who, as an individual, has education, examination, and experience that
12 are deemed by the board to be substantially equivalent to this state's
13 requirement shall have all the privileges of license holders of this
14 state without the need to obtain a license under RCW 18.04.105 or
15 18.04.195. However, such individuals shall notify the board, under
16 such circumstances and in such manner as the board determines by rule,
17 of their intent to enter the state under this section. The board shall
18 have the authority to establish a fee for the practice privilege
19 granted under this section by rule.~~

20 (b) An individual that enters the state under this section and is
21 granted this practice privilege shall abide by this chapter and the
22 rules adopted under this chapter and shall be subject to discipline for
23 violation of this chapter. However, such individual is exempt from the
24 continuing education requirements of this chapter provided the
25 individual has met the continuing education requirements of the state
26 in which the individual holds a valid certificate or license. The
27 board may accept NASBA's designation of the individual's state as
28 substantially equivalent to national standards, or NASBA's designation
29 of the applicant as substantially equivalent to national standards, as
30 meeting the requirement for a certified public accountant to be
31 substantially equivalent to this state's requirements.

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

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

1 (d) A licensee of this state offering or rendering services or
2 using their certified public accountant title in another state shall be
3 subject to disciplinary action in this state for an act committed in
4 another state for which the certificate or permit holder would be
5 subject to discipline for an act committed in the other state provided
6 the board receives timely notification of the act. Notwithstanding RCW
7 18.04.295, the board shall be required to investigate any complaint
8 made by the board of accountancy of another state.

9 (3) Nothing in this chapter prohibits a ~~((certified public~~
10 ~~accountant, a partnership, or corporation of certified public~~
11 ~~accountants))~~ certificate holder, a licensee, a licensed firm, or any
12 of their employees from disclosing any data in confidence to other
13 certified public accountants, quality assurance or peer review teams,
14 partnerships, or corporations of public accountants or to the board or
15 any of its employees engaged in conducting ~~((quality,))~~ quality
16 assurance~~((,))~~ or peer reviews, or any one of their employees in
17 connection with quality or peer reviews of that accountant's accounting
18 and auditing practice conducted under the auspices of recognized
19 professional associations.

20 (4) Nothing in this chapter prohibits a ~~((certified public~~
21 ~~accountant, a partnership, or corporation of certified public~~
22 ~~accountants))~~ certificate holder, a licensee, a licensed firm, or any
23 of their employees from disclosing any data in confidence to any
24 employee, representative, officer, or committee member of a recognized
25 professional association, or to the board ~~((of accountancy)), or any of~~
26 its employees or committees in connection with a professional
27 investigation held under the auspices of recognized professional
28 associations or the board ~~((of accountancy))~~.

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

31 (a) From affixing his or her signature to any statement or report
32 in reference to the affairs of the organization with any wording
33 designating the position, title, or office which he or she holds in the
34 organization; or

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

37 (6) Nothing in this chapter prohibits any person, or partnership or
38 corporation composed of persons not holding a license under RCW
39 18.04.215 from offering or rendering to the public bookkeeping,

1 accounting, tax services, the devising and installing of financial
2 information systems, management advisory, or consulting services, the
3 preparation of tax returns, or the furnishing of advice on tax matters,
4 the preparation of financial statements, written statements describing
5 how such financial statements were prepared, or similar services,
6 provided that persons, partnerships, or corporations not holding a
7 license under RCW 18.04.215 who offer or render these services do not
8 designate any written statement as an "audit report," "review report,"
9 or "compilation report," do not issue any written statement which
10 purports to express or disclaim an opinion on financial statements
11 which have been audited, and do not issue any written statement which
12 expresses assurance on financial statements which have been reviewed.

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

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

30 (9) Nothing in this chapter prohibits the use of the title
31 "accountant" by any person regardless of whether the person has been
32 granted a certificate or holds a license under this chapter. Nothing
33 in this chapter prohibits the use of the title "enrolled agent" or the
34 designation "EA" by any person regardless of whether the person has
35 been granted a certificate or holds a license under this chapter if the
36 person is properly authorized at the time of use to use the title or
37 designation by the United States department of the treasury. The board
38 shall by rule allow the use of other titles by any person regardless of
39 whether the person has been granted a certificate or holds a license

1 under this chapter if the person using the titles or designations is
2 authorized at the time of use by a nationally recognized entity
3 sanctioning the use of board authorized titles.

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

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

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

12 (b) Notwithstanding (a) of this subsection, any person who uses a
13 professional title intended to deceive the public, in violation of RCW
14 18.04.345, having previously entered into a stipulated agreement and
15 order of assurance with the board, is guilty of a felony, and upon
16 conviction thereof, is subject to a fine of not more than ten thousand
17 dollars, or to imprisonment for not more than two years, or to both
18 such fine and imprisonment.

19 (2) With the exception of first time violations of RCW 18.04.345,
20 subject to subsection (3) of this section whenever the board has reason
21 to believe that any person is violating the provisions of this chapter
22 it shall certify the facts to the prosecuting attorney of the county in
23 which such person resides or may be apprehended and the prosecuting
24 attorney shall cause appropriate proceedings to be brought against such
25 person.

26 (3) The board may elect to enter into a stipulated agreement and
27 orders of assurance with persons in violation of RCW 18.04.345 who have
28 not previously been found to have violated the provisions of this
29 chapter.

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

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

35 The display or presentation by a person of a card, sign,
36 advertisement, or other printed, engraved or written instrument or
37 device, bearing a person's name in conjunction with the words

1 "certified public accountant" or any abbreviation thereof, ((
2 ~~"licensed public accountant" or any abbreviation thereof, or "public~~
3 ~~accountant" or any abbreviation thereof,~~)) shall be prima facie
4 evidence in any action brought under this chapter that the person whose
5 name is so displayed, caused or procured the display or presentation of
6 the card, sign, advertisement, or other printed, engraved, or written
7 instrument or device, and that the person is holding himself or herself
8 out to be a licensee, a certified public accountant, or a ((~~public~~
9 ~~accountant holding a license to practice~~)) person holding a certificate
10 under this chapter. In any such action, evidence of the commission of
11 a single act prohibited by this chapter is sufficient to justify an
12 injunction or a conviction without evidence of a general course of
13 conduct.

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

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

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

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

33 (a) A copy of the licensee's working papers or electronic
34 documents, to the extent that such working papers or electronic
35 documents include records that would ordinarily constitute part of the
36 client's records and are not otherwise available to the client; and

37 (b) Any accounting or other records belonging to, or obtained from
38 or on behalf of, the client that the licensee removed from the client's

1 premises or received for the client's account; the licensee may make
2 and retain copies of such documents of the client when they form the
3 basis for work done by him or her.

4 (4) Nothing in this section shall require a licensee to keep any
5 work paper or electronic document beyond the period prescribed in any
6 other applicable statute.

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

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

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

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

34 (3) The proceedings, records, and work papers of a review committee
35 shall be privileged and shall not be subject to discovery, subpoena, or
36 other means of legal process or introduction into evidence in any civil
37 action, arbitration, administrative proceeding, or (~~state~~
38 ~~accountancy~~) board proceeding and no member of the review committee or

1 person who was involved in the ((~~quality~~)) peer review process shall be
2 permitted or required to testify in any such civil action, arbitration,
3 administrative proceeding, or ((~~state-accountancy~~)) board proceeding as
4 to any matter produced, presented, disclosed, or discussed during or in
5 connection with the ((~~quality~~)) peer review process, or as to any
6 findings, recommendations, evaluations, opinions, or other actions of
7 such committees, or any members thereof. Information, documents, or
8 records that are publicly available are not to be construed as immune
9 from discovery or use in any civil action, arbitration, administrative
10 proceeding, or ((~~state-accountancy~~)) board proceeding merely because
11 they were presented or considered in connection with the quality
12 assurance or peer review process.

--- END ---