
ENGROSSED SECOND SUBSTITUTE SENATE BILL 5593

State of Washington

57th Legislature

2001 Regular Session

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

READ FIRST TIME 03/08/01.

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; prescribing penalties;
6 providing an effective date; and declaring an emergency.

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 become a licensee, has
19 maintained CPE requirements, and who does not practice public
20 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. "Reports on financial statements"
36 does not include services referenced in RCW 18.04.350(6) provided by
37 persons not holding a license under this chapter.

1 ~~((+5))~~ (6) The "practice of public accounting" means performing or
2 offering to perform by a person or firm holding itself out to the
3 public as a licensee, for a client or potential client, one or more
4 kinds of services involving the use of accounting or auditing skills,
5 including the issuance of "audit reports," "review reports," or
6 "compilation reports" on financial statements, or one or more kinds of
7 management advisory, or consulting services, or the preparation of tax
8 returns, or the furnishing of advice on tax matters. The "practice of
9 public accounting" shall not include practices that are permitted under
10 the provisions of RCW 18.04.350(6) by persons or firms not required to
11 be licensed under this chapter.

12 ~~((+6))~~ (7) "Firm" means a sole proprietorship, a corporation, or
13 a partnership. "Firm" also means a limited liability company formed
14 under chapter 25.15 RCW.

15 ~~((+7))~~ (8) "CPE" means continuing professional education.

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

21 ~~((+9))~~ (10) "Licensee" means the holder of a ~~((valid))~~ license to
22 practice public accountancy issued under this chapter.

23 ~~((+10))~~ (11) "License" means a license to practice public
24 accountancy issued to an individual under this chapter, or a license
25 issued to a firm under this chapter.

26 ~~((+11))~~ (12) "Manager" means a manager of a limited liability
27 company licensed as a firm under this chapter.

28 (13) "NASBA" means the national association of state boards of
29 accountancy.

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

36 ~~((+12—"Quality review"))~~ (15) "Peer review" means a study,
37 appraisal, or review of one or more aspects of the ~~((professional))~~
38 attest work of a ~~((person))~~ licensee or licensed firm in the practice
39 of public accountancy, by a person or persons who hold ~~((certificates))~~

1 licenses and who are not affiliated with the person or firm being
2 reviewed, including a peer review, or any internal review or inspection
3 intended to comply with quality control policies and procedures, but
4 not including the "quality assurance review" under subsection (~~((11))~~)
5 (14) of this section.

6 (~~((13))~~) (16) "Review committee" means any person carrying out,
7 administering or overseeing a (~~(quality)~~) peer review authorized by the
8 reviewee.

9 (~~((14))~~) (17) "Rule" means any rule adopted by the board under
10 authority of this chapter.

11 (~~((15))~~) (18) "Holding out" means any representation to the public
12 by the use of restricted titles as set forth in RCW 18.04.345 by a
13 person or firm that the person or firm (~~(is a certified public~~
14 ~~accountant)~~) holds a license under this chapter and that the person or
15 firm offers to perform any professional services to the public as a
16 (~~(certified public accountant)~~) licensee. "Holding out" shall not
17 affect or limit (~~(a person not required to hold a certificate under~~
18 ~~this chapter or)~~) a person or firm not required to hold a license under
19 this chapter from engaging in practices identified in RCW
20 18.04.350(~~((6))~~).

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

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

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

29 (1) There is created a board of accountancy for the state of
30 Washington to be known as the Washington state board of accountancy.
31 Effective June 30, 2001, the board shall consist of (~~(seven)) nine~~
32 members appointed by the governor. Members of the board shall include
33 (~~(four)) six~~ persons who (~~(hold valid certified public accountant~~
34 certificates and have been in public practice as certified public
35 accountants)) have been licensed in this state continuously for the
36 previous ten years (~~(and two persons who have held a valid certified~~
37 public accountant's certificate in this state for at least ten years)).
38 (~~(The seventh)) Three members shall be (~~(the)) public members (~~(and~~~~~~

1 ~~shall be a person who is~~) qualified to judge whether the
2 qualifications, activities, and professional practice of those
3 regulated under this chapter conform with standards to protect the
4 public interest, including one public member qualified to represent the
5 interests of clients of individuals and firms licensed under this
6 chapter.

7 (2) The members of the board (~~(of accountancy)~~) shall be appointed
8 by the governor to a term of three years. Vacancies occurring during
9 a term shall be filled by appointment for the unexpired term. Upon the
10 expiration of a member's term of office, the member shall continue to
11 serve until a successor has been appointed and has assumed office. The
12 governor shall remove from the board any member whose (~~(certificate~~
13 ~~or)~~) license to practice has been revoked or suspended and may, after
14 hearing, remove any member of the board for neglect of duty or other
15 just cause. No person who has served two successive complete terms is
16 eligible for reappointment. Appointment to fill an unexpired term is
17 not considered a complete term. In order to stagger their terms, of
18 the two new appointments made to the board upon June 11, 1992, the
19 first appointed member shall serve a term of two years initially.

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

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

24 (2) A majority of the board constitutes a quorum for the
25 transaction of business.

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

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

31 (5) The governor shall appoint an executive director of the board,
32 who shall serve at the pleasure of the governor. The executive
33 director may employ such personnel as is appropriate for carrying out
34 the purposes of this chapter. The executive director shall hold a
35 valid Washington (~~(CPA certificate)~~) license. The board may arrange
36 for such volunteer assistance as it requires to perform its duties.
37 Individuals or committees assisting the board constitute volunteers for
38 purposes of chapter 4.92 RCW.

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

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

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

18 (9) The board may provide for consumer alerts and public protection
19 information to be published regarding persons or firms who violate the
20 provisions of this chapter or board rule and may provide general
21 consumer protection information to the public.

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

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

29 The board may adopt and amend rules under chapter 34.05 RCW for the
30 orderly conduct of its affairs. The board shall prescribe rules
31 consistent with this chapter as necessary to implement this chapter.
32 Included may be:

33 (1) Rules of procedure to govern the conduct of matters before the
34 board;

35 (2) Rules of professional conduct for all ~~((certificate and license~~
36 ~~holders))~~ licensees, certificate holders, and nonlicensee owners of
37 licensed firms, in order to establish and maintain high standards of
38 competence and ethics ~~((of certified public accountants))~~ including

1 rules dealing with independence, integrity, objectivity, and freedom
2 from conflicts of interest;

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

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

9 (5) Rules specifying the educational requirements to take the
10 certified public accountant examination ((or for the issuance of the
11 certificate or license of certified public accountant));

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

15 (7) Requirements for ((continuing professional education)) CPE to
16 maintain or improve the professional competence of ((certificate and
17 license holders)) licensees as a condition to maintaining their
18 ((certificate or)) license ((to practice)) and certificate holders as
19 a condition to maintaining their certificate under RCW 18.04.215;

20 (8) Rules governing ((sole proprietors, partnerships, and
21 corporations practicing public accounting)) firms issuing or offering
22 to issue reports on financial statements or using the title "certified
23 public accountant" or "CPA" including, but not limited to, rules
24 concerning their style, name, title, and affiliation with any other
25 organization, and establishing reasonable practice and ethical
26 standards to protect the public interest;

27 (9) The board may by rule implement a quality assurance review
28 program as a means to monitor licensees' quality of practice and
29 compliance with professional standards. The board may exempt from such
30 program, licensees who undergo periodic ((quality)) peer reviews in
31 programs of the American Institute of Certified Public Accountants,
32 ((National Association of State Boards of Accountancy)) NASBA, or other
33 programs recognized and approved by the board;

34 (10) The board may by rule require licensed firms to obtain
35 professional liability insurance if in the board's discretion such
36 insurance provides additional and necessary protection for the public;
37 ((and))

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

1 (12) Rules specifying the requirements for certificate holders to
2 qualify for a license under this chapter which must include provisions
3 for meeting CPE and experience requirements prior to application for
4 licensure;

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

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

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

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

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

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

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

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

36 (a) Who is of good character. Good character, for purposes of this
37 section, means lack of a history of dishonest or felonious acts. The

1 board may refuse to grant a (~~certificate~~) license on the ground of
2 failure to satisfy this requirement only if there is a substantial
3 connection between the lack of good character of the applicant and the
4 professional and ethical responsibilities of a (~~certified public~~
5 ~~accountant~~) licensee and if the finding by the board of lack of good
6 character is supported by a preponderance of evidence. When an
7 applicant is found to be unqualified for a (~~certificate~~) license
8 because of a lack of good character, the board shall furnish the
9 applicant a statement containing the findings of the board and a notice
10 of the applicant's right of appeal;

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

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

18 (c) Who has passed (~~a written~~) an examination;

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

20 (i) Through the use of accounting, issuing reports on financial
21 statements, management advisory, financial advisory, tax, tax advisory,
22 or consulting skills;

23 (ii) While employed in government, industry, academia, or public
24 practice; and

25 (iii) Meeting the competency requirements in a manner as determined
26 by the board to be appropriate and established by board rule; and

27 (e) Who has paid appropriate fees as established by rule by the
28 board.

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

1 board may make use of all or a part of the uniform certified public
2 accountant examination and advisory grading service of the American
3 Institute of Certified Public Accountants and may contract with third
4 parties to perform administrative services with respect to the
5 examination as the board deems appropriate to assist it in performing
6 its duties under this chapter. The board shall establish by rule
7 provisions for transitioning to a new examination structure or to a new
8 media for administering the examination.

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

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

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

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

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

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

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

33 ~~(5))~~ The board shall charge each applicant an examination fee for
34 the initial examination ~~((under subsection (1) of this section,))~~ or
35 for reexamination ~~((under subsection (3) of this section for each~~
36 ~~subject in which the applicant is reexamined))~~. The applicable fee
37 shall be paid by the person at the time he or she applies for
38 examination, reexamination, or evaluation of educational
39 qualifications. Fees for examination, reexamination, or evaluation of

1 educational qualifications shall be determined by the board under
2 chapter 18.04 RCW. There is established in the state treasury an
3 account to be known as the certified public accountants' account. All
4 fees received from candidates to take any or all sections of the
5 certified public accountant examination shall be used only for costs
6 related to the examination.

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

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

17 ~~(8) The board shall adopt rules providing for continuing~~
18 ~~professional education for certified public accountants. The rules~~
19 ~~shall:~~

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

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

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

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

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

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

1 ~~at least as strict as the standards set forth in subsection (8) of this~~
2 ~~section or RCW 18.04.215.)~~)

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

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

13 (b) Certificate holders who do not petition to become licensees
14 prior to June 30, 2004, may after that date petition the board to
15 become licensees by documenting to the board that they have one year of
16 experience acquired within eight years prior to applying for a license
17 through the use of accounting, issuing reports on financial statements,
18 management advisory, financial advisory, tax, tax advisory, or
19 consulting skills in government, industry, academia, or public
20 practice.

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

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

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

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

35 (6) Persons who on June 30, 2001, held valid certificates
36 previously issued under this chapter are deemed to hold inactive
37 certificates, subject to renewal as inactive certificates, until they
38 have petitioned the board to become licensees and have met the
39 requirements of subsection (4) of this section. No individual who did

1 not hold a valid certificate before July 1, 2001, is eligible to obtain
2 an inactive certificate.

3 (7) Persons deemed to hold inactive certificates under subsection
4 (6) of this section shall comply with the prohibition against the
5 practice of public accounting in subsection (8)(b) of this section and
6 RCW 18.04.345, but are not required to display the term inactive as
7 part of their title, as required by subsection (8)(a) of this section
8 until renewal. Certificates renewed to any persons after June 30,
9 2001, are inactive certificates and the inactive certificate holders
10 are subject to the requirements of subsection (8) of this section.

11 (8) Persons holding an inactive certificate:

12 (a) Must use or attach the term "inactive" whenever using the title
13 CPA or certified public accountant or referring to the certificate, and
14 print the word "inactive" immediately following the title, whenever the
15 title is printed on a business card, letterhead, or any other document,
16 including documents published or transmitted through electronic media,
17 in the same font and font size as the title; and

18 (b) Are prohibited from practicing public accounting.

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

21 ~~(1) The board shall issue a ((certificate to a holder of a~~
22 ~~certificate issued by another state, or shall issue a certificate and))~~
23 license to a holder of a certificate/valid license issued by another
24 state that entitles the holder to practice public accountancy, provided
25 that:

26 ~~((1)) (a) Such state makes similar provision to grant reciprocity~~
27 ~~to a holder of a ((certificate or)) valid certificate ((and valid)) or~~
28 ~~license in this state; ((and~~

29 ~~(2)) (b) The applicant meets the ((continuing professional~~
30 ~~education)) CPE requirements of RCW ((18.04.105(8)) 18.04.215(5);~~
31 ~~((and~~

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

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

36 ~~(b) The applicant: Meets all current requirements in this state~~
37 ~~for issuance of a certificate at the time application is made; or at~~

1 the time of the issuance of the applicant's certificate in the other
2 state, met all the requirements then applicable in this state; or

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

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

6 (d) The applicant passed the examination required for issuance of
7 his or her certificate or license with grades that would have been
8 passing grades at that time in this state((+)) and

9 ((b) The applicant+)) meets all current requirements in this state
10 for issuance of a license at the time application is made; or at the
11 time of the issuance of the applicant's license in the other state, met
12 all the requirements then applicable in this state; or has had five
13 years of experience within the ten years immediately preceding
14 application in the practice of public accountancy that meets the
15 requirements prescribed by the board.

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

19 (3) A licensee who has been granted a license under the reciprocity
20 provisions of this section shall notify the board within thirty days if
21 the license or certificate issued in the other jurisdiction has lapsed
22 or if the status of the license or certificate issued in the other
23 jurisdiction becomes otherwise invalid.

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

26 The board shall grant a ~~((certificate or))~~ license as a certified
27 public accountant to a holder of a permit, license, or certificate
28 issued by a foreign country's board, agency, or institute, provided
29 that:

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

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

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

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

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

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

9 (4) The applicant has within the thirty-six months prior to
10 application completed an accumulation of one hundred twenty hours of
11 ~~((continuing professional education))~~ CPE as required under RCW
12 ~~((18.04.105(8)))~~ 18.04.215(5). The board shall provide for transition
13 from existing to new ~~((continuing professional education))~~ CPE
14 requirements; ~~((and))~~

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

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

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

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

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

29 ~~((b))~~ (7) The applicant has within the ~~((five))~~ eight years prior
30 to applying for ~~((the certificate and))~~ a license under this section,
31 demonstrated, in accordance with the rules issued by the board, one
32 year of public accounting experience, within the foreign country where
33 the foreign permit, license, or certificate was issued, equivalent to
34 the experience required under RCW 18.04.215(1)(a) or such other
35 experience or employment which the board in its discretion regards as
36 substantially equivalent.

37 The board may adopt by rule new CPE standards that differ from
38 those in subsection (4) of this section or RCW 18.04.215 if the new
39 standards are consistent with the ~~((continuing professional education))~~

1 CPE standards of other states so as to provide to the greatest extent
2 possible, consistent national standards.

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

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

10 ~~((1) Application for certification as certified public accountants~~
11 ~~by persons who are not residents of this state constitutes appointment~~
12 ~~of the secretary of state as an agent for service of process in any~~
13 ~~action or proceeding against the applicants arising from any~~
14 ~~transaction, activity, or operation connected with or incidental to the~~
15 ~~practice of public accounting in this state by nonresident holders of~~
16 ~~certified public accountant certificates.~~

17 (2)) Application for a license to practice public accounting in
18 this state by a certified public accountant or CPA firm who holds a
19 license or permit to practice issued by another state constitutes the
20 appointment of the secretary of state as an agent for service of
21 process in any action or proceeding against the applicant arising from
22 any transaction or operation connected with or incidental to the
23 practice of public accounting in this state by the holder of the
24 license to practice.

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

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

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

35 (b)) The ~~((person))~~ sole proprietor shall ~~((be a certified public~~
36 ~~accountant holding))~~ hold a license to practice under RCW
37 18.04.215~~((-))~~;

1 ~~((e))~~ (b) Each resident ~~((licensee))~~ person in charge of an
2 office ~~((of the sole proprietorship engaged in this state in the~~
3 ~~practice of public accounting))~~ located in this state shall ~~((be a~~
4 ~~certified public accountant holding))~~ hold a license to practice under
5 RCW 18.04.215; and

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

8 (2) A partnership engaged in business in this state ~~((in the~~
9 ~~practice of public accounting))~~ and offering to issue or issuing
10 reports on financial statements or using the title CPA or certified
11 public accountant shall license as a firm every three years with the
12 board ~~((as a partnership of certified public accountants)),~~ and shall
13 meet the following requirements:

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

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

20 ~~((e))~~ (b) Each resident ~~((licensee))~~ person in charge of an
21 office ~~((of the partnership))~~ in this state ~~((and each resident partner~~
22 ~~personally engaged within this state in the practice of public~~
23 ~~accounting))~~ shall ~~((be a certified public accountant holding))~~ hold a
24 license to practice under RCW 18.04.215;

25 (c) A simple majority of the ownership of the licensed firm in
26 terms of financial interests and voting rights of all partners or
27 owners shall be held by natural persons who are licensees or holders of
28 a valid license issued under this chapter or by another state that
29 entitles the holder to practice public accounting in this state. The
30 principal partner of the partnership and any partner having authority
31 over issuing reports on financial statements shall hold a license under
32 this chapter or issued by another state that entitles the holder to
33 practice public accounting in this state; and

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

36 (3) A corporation ~~((organized for the practice of public accounting~~
37 ~~and))~~ engaged in business in this state ~~((in the practice of public~~
38 ~~accounting))~~ and offering to issue or issuing reports on financial
39 statements or using the title CPA or certified public accountant shall

1 license as a firm every three years with the board (~~((as a corporation~~
2 ~~of certified public accountants))~~) and shall meet the following
3 requirements:

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

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

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

25 (~~((d))~~) (c) Each resident (~~((licensee))~~) person in charge of an
26 office (~~((of the corporation))~~) located in this state (~~((and each~~
27 ~~shareholder or director personally engaged within this state in the~~
28 ~~practice of public accounting))~~) shall (~~((be a certified public~~
29 ~~accountant holding))~~) hold a license (~~((to practice))~~) under RCW
30 18.04.215;

31 (~~((e))~~) (d) A written agreement shall bind the corporation or its
32 shareholders to purchase any shares offered for sale by, or not under
33 the ownership or effective control of, a qualified shareholder, and
34 bind any holder not a qualified shareholder to sell the shares to the
35 corporation or its qualified shareholders. The agreement shall be
36 noted on each certificate of corporate stock. The corporation may
37 purchase any amount of its stock for this purpose, notwithstanding any
38 impairment of capital, as long as one share remains outstanding; (~~and~~

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

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

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

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

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

18 ~~((e))~~ (b) Each resident manager or member in charge of an office
19 ~~((of the limited liability company))~~ located in this state ~~((and each~~
20 ~~resident manager or member personally engaged within this state in the~~
21 ~~practice of public accounting))~~ shall ~~((be a certified public~~
22 ~~accountant holding))~~ hold a license ~~((to practice))~~ under RCW
23 18.04.215;

24 (c) A simple majority of the ownership of the licensed firm in
25 terms of financial interests and voting rights of all owners shall be
26 held by natural persons who are licensees or holders of a valid license
27 issued under this chapter or by another state that entitles the holder
28 to practice public accounting in this state. The principal member or
29 manager of the limited liability company and any member having
30 authority over issuing reports on financial statements shall hold a
31 license under this chapter or issued by another state that entitles the
32 holder to practice public accounting in this state; and

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

35 (5) Application for a license as a firm shall be made upon the
36 affidavit of the proprietor or person designated as managing partner,
37 member, or shareholder for Washington. This person shall ~~((be a~~
38 ~~certified public accountant holding))~~ hold a license ~~((to practice))~~
39 under RCW 18.04.215. The board shall determine in each case whether

1 the applicant is eligible for a license. A partnership ((~~or~~)),
2 corporation, or limited liability company which is licensed to practice
3 under RCW 18.04.215 may use the designation "certified public
4 accountants" or "CPAs" in connection with its partnership, limited
5 liability company, or corporate name. The board shall be given
6 notification within ninety days after the admission or withdrawal of a
7 partner ((~~or~~)), shareholder, or member engaged in this state in the
8 practice of public accounting from any partnership ((~~or~~)), corporation,
9 or limited liability company so licensed.

10 (6) Licensed firms which fall out of compliance with the provisions
11 of this section due to changes in firm ownership or personnel, after
12 receiving or renewing a license, shall notify the board in writing
13 within thirty days of its falling out of compliance and propose a time
14 period in which they will come back into compliance. The board may
15 grant a reasonable period of time for a firm to be in compliance with
16 the provisions of this section. Failure to bring the firm into
17 compliance within a reasonable period of time, as determined by the
18 board, may result in suspension, revocation, or imposition of
19 conditions on the firm's license.

20 (7) Fees for the license as a firm and for notification of the
21 board of the admission or withdrawal of a partner ((~~or~~)), shareholder,
22 or member shall be determined by the board. Fees shall be paid by the
23 firm at the time the license application form or notice of admission or
24 withdrawal of a partner ((~~or~~)), shareholder, or member is filed with
25 the board.

26 (8) Nonlicensee owners of licensed firms are:

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

29 (b) Required to be a natural person;

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

33 (d) Subject to discipline by the board for violation of this
34 chapter.

35 (9) Resident nonlicensee owners of licensed firms are required to
36 meet:

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

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

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

3 (1) Each office established or maintained in this state for the
4 ~~((practice of public accounting))~~ purpose of offering to issue or
5 issuing reports on financial statements in this state ~~((by a certified~~
6 ~~public accountant, or a partnership or corporation of certified public~~
7 ~~accountants))~~ or that uses the title "certified public accountant" or
8 "CPA," shall register with the board under this chapter every three
9 years.

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

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

18 (4) Fees for the registration of offices shall be determined by the
19 board. Fees shall be paid by the applicant at the time the
20 registration form is filed with the board.

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

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

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

34 (b) To certificate holders meeting the requirements of RCW
35 18.04.105(4).

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

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

7 (3) An inactive certificate is renewed every three years with
8 renewal subject to the requirements of ethics CPE and the payment of
9 fees, prescribed by the board. Failure to renew the inactive
10 certificate shall cause the inactive certificate to lapse and be
11 subject to reinstatement. The board shall adopt rules providing for
12 fees and procedures for renewal and reinstatement of inactive
13 certificates.

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

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

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

27 (b) Establish CPE requirements; and

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

30 (6) A certified public accountant who holds a (~~(permit or)~~) license
31 issued by another state, and applies for a license in this state, may
32 practice in this state from the date of filing a completed application
33 with the board, until the board has acted upon the application provided
34 the application is made prior to holding out as a certified public
35 accountant in this state and no sanctions or investigations, deemed by
36 the board to be pertinent to public accountancy, by other jurisdictions
37 or agencies are in process.

38 (~~((4))~~) (7) A (~~(certified public accountant)~~) licensee shall submit
39 to the board satisfactory proof of having completed an accumulation of

1 one hundred twenty hours of (~~(continuing education)~~) CPE recognized and
2 approved by the board during the preceding three years. Failure to
3 furnish this evidence as required shall make the (~~(certificate~~
4 ~~invalid)~~) license lapse and subject to reinstatement procedures, unless
5 the board determines the failure to have been due to retirement(~~(7)~~) or
6 reasonable cause(~~(7 or excusable neglect)~~).

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

18 (~~((5))~~) (8) Fees for (~~(issuance or)~~) renewal or reinstatement of
19 certificates and licenses in this state shall be determined by the
20 board under this chapter (~~(18.04 RCW)~~). Fees shall be paid by the
21 applicant at the time the application form is filed with the board.
22 The board, by rule, may provide for proration of fees for
23 (~~(certificates and)~~) licenses or certificates issued between normal
24 renewal dates.

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

27 The board (~~(of accountancy)~~) shall have the power to: Revoke,
28 suspend, (~~(or)~~) refuse to renew ((a)), or reinstate a license or
29 certificate (~~(or license, and may)~~); impose a fine in an amount not to
30 exceed ((one)) ten thousand dollars plus the board's investigative and
31 legal costs in bringing charges against a certified public accountant,
32 (~~(or)~~) a certificate holder, a licensee, a licensed firm, or a
33 nonlicensee holding an ownership interest in a licensed firm; may
34 impose full restitution to injured parties; may impose conditions
35 precedent to renewal of ((the)) a certificate or a license (~~(of any~~
36 certified public accountant)); or may prohibit a nonlicensee from
37 holding an ownership interest in a licensed firm, for any of the
38 following causes:

- 1 (1) Fraud or deceit in obtaining a ((certificate as a certified
2 public accountant, or in obtaining a)) license, or in any filings with
3 the board;
- 4 (2) Dishonesty, fraud, or negligence while representing oneself as
5 a ((CPA)) nonlicensee owner holding an ownership interest in a licensed
6 firm, a licensee, or a certificate holder;
- 7 (3) A violation of any provision of this chapter;
- 8 (4) A violation of a rule of professional conduct promulgated by
9 the board under the authority granted by this chapter;
- 10 (5) Conviction of a crime or an act constituting a crime under:
11 (a) The laws of this state;
12 (b) The laws of another state, and which, if committed within this
13 state, would have constituted a crime under the laws of this state; or
14 (c) Federal law;
- 15 (6) Cancellation, revocation, suspension, or refusal to renew the
16 authority to practice as a certified public accountant by any other
17 state for any cause other than failure to pay a fee or to meet the
18 requirements of ((continuing education)) CPE in the other state;
- 19 (7) Suspension or revocation of the right to practice matters
20 relating to public accounting before any state or federal agency;
- 21 For purposes of subsections (6) and (7) of this section, a
22 certified copy of such revocation, suspension, or refusal to renew
23 shall be prima facie evidence;
- 24 (8) Failure to maintain compliance with the requirements for
25 issuance, renewal, or reinstatement of ((the)) a certificate or
26 license, or to report changes to the board;
- 27 (9) Failure to cooperate with the board by:
28 (a) Failure to furnish any papers or documents requested or ordered
29 by the board;
30 (b) Failure to furnish in writing a full and complete explanation
31 covering the matter contained in the complaint filed with the board or
32 the inquiry of the board;
- 33 (c) Failure to respond to subpoenas issued by the board, whether or
34 not the recipient of the subpoena is the accused in the proceeding;
- 35 (10) Failure by a nonlicensee owner of a licensed firm to comply
36 with the requirements of this chapter or board rule; and
- 37 (11) Failure to comply with an order of the board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (4) No person, partnership, limited liability company, or
27 corporation offering accounting services to the public may hold
28 himself, herself, or itself out to the public, or assume or use along,
29 or in connection with his, hers, or its name, or any other name the
30 title or designation "certified accountant," "chartered accountant,"
31 "licensed accountant," "licensed public accountant," "public
32 accountant," or any other title or designation likely to be confused
33 with "certified public accountant" or any of the abbreviations "CA,"
34 "LA," "LPA," or "PA," or similar abbreviations likely to be confused
35 with "CPA." ((However, nothing in this chapter prohibits use of the
36 title "accountant" by any person regardless of whether the person has
37 been granted a certificate or 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, limited liability company, or
17 corporation not holding a license to practice under RCW 18.04.215 may
18 hold himself, herself, or itself out to the public as an "auditor" with
19 or without any other description or designation by use of such word on
20 any sign, card, 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 may investigate any complaint made by the board of
8 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)) licensee, a licensed firm, or any of their employees from~~
12 disclosing any data in confidence to other certified public
13 accountants, quality assurance or peer review teams, partnerships,
14 limited liability companies, or corporations of public accountants or
15 to the board or any of its employees engaged in conducting ~~((quality,))~~
16 quality assurance~~((,))~~ or peer reviews, or any one of their employees
17 in connection with quality or peer reviews of that accountant's
18 accounting and auditing practice conducted under the auspices of
19 recognized professional associations.

20 (4) Nothing in this chapter prohibits a ~~((certified public~~
21 ~~accountant, a partnership, or corporation of certified public~~
22 ~~accountants)) licensee, a licensed firm, or any of their employees from~~
23 disclosing any data in confidence to any employee, representative,
24 officer, or committee member of a recognized professional association,
25 or to the board ~~((of accountancy))~~, or any of its employees or
26 committees in connection with a professional investigation held under
27 the auspices of recognized professional associations or the board ~~((of~~
28 ~~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
38 ~~((partnership or corporation))~~ firm composed of persons not holding a
39 license under RCW 18.04.215 from offering or rendering to the public

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

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

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

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

1 shall by rule allow the use of other titles by any person regardless of
2 whether the person has been granted a certificate or holds a license
3 under this chapter if the person using the titles or designations is
4 authorized at the time of use by a nationally recognized entity
5 sanctioning the use of board authorized titles.

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

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

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

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

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

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

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

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

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

14 (2) The display or presentation by a person of a card, sign,
15 advertisement, or other printed, engraved, or written instrument or
16 device, bearing a person's name in conjunction with the words certified
17 public accountant-inactive or any abbreviation thereof is prima facie
18 evidence in any action brought under this chapter that the person whose
19 name is so displayed caused or procured the display or presentation of
20 the card, sign, advertisement, or other printed, engraved, or written
21 instrument or device, and that the person is holding himself or herself
22 out to be a certified public accountant-inactive under this chapter.

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

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

29 (1) In the absence of an express agreement between the (~~certified~~
30 ~~public accountant~~) licensee or licensed firm and the client to the
31 contrary, all statements, records, schedules, working papers, and
32 memoranda made by a (~~certified public accountant~~) licensee or
33 licensed firm incident to or in the course of professional service to
34 clients, except reports submitted by a (~~certified public accountant to~~
35 ~~a client~~) licensee or licensed firm, are the property of the
36 (~~certified public accountant~~) licensee or licensed firm.

37 (2) No statement, record, schedule, working paper, or memorandum
38 may be sold, transferred, or bequeathed without the consent of the

1 client or his or her personal representative or assignee, to anyone
2 other than one or more surviving partners, shareholders, or new
3 partners or new shareholders of the ((accountant)) licensee,
4 partnership, limited liability company, or corporation, or any combined
5 or merged partnership, limited liability company, or corporation, or
6 successor in interest.

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

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

13 (b) Any accounting or other records belonging to, or obtained from
14 or on behalf of, the client that the licensee removed from the client's
15 premises or received for the client's account; the licensee may make
16 and retain copies of such documents of the client when they form the
17 basis for work done by him or her.

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

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

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

27 (1) A ((~~certified public accountant, a partnership or corporation~~
28 ~~of certified public accountants~~)) licensee, certificate holder, or
29 licensed firm, or any of their employees shall not disclose any
30 confidential information obtained in the course of a professional
31 transaction except with the consent of the client or former client or
32 as disclosure may be required by law, legal process, the standards of
33 the profession, or as disclosure of confidential information is
34 permitted by RCW 18.04.350 (3) and (4), 18.04.295(8), 18.04.390, and
35 this section in connection with ((~~quality,~~) quality assurance, or peer
36 reviews, investigations, and any proceeding under chapter 34.05 RCW.

37 (2) This section shall not be construed as limiting the authority
38 of this state or of the United States or an agency of this state, the

1 board, or of the United States to subpoena and use such confidential
2 information obtained by a licensee, or any of their employees in the
3 course of a professional transaction in connection with any
4 investigation, public hearing, or other proceeding, nor shall this
5 section be construed as prohibiting a licensee or certified public
6 accountant whose professional competence has been challenged in a court
7 of law or before an administrative agency from disclosing confidential
8 information as a part of a defense to the court action or
9 administrative proceeding.

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

27 NEW SECTION. Sec. 23. 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.

--- END ---