

SENATE BILL REPORT

SHB 1211

As Reported By Senate Committee On:
Financial Services, Insurance & Housing, April 3, 2003
Ways & Means, April 11, 2003

Title: An act relating to accountability requirements under the public accountancy act.

Brief Description: Modifying accountability requirements under the public accountancy act.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives Conway, Chandler, Kenney, Wood, Hudgins, Cooper, Veloria, Schual-Berke, Lovick, Kirby, Dickerson, Upthegrove, McDermott, Rockefeller, Morrell, Murray, Simpson, Darneille, Chase, Cody and Ruderman).

Brief History:

Committee Activity: Financial Services, Insurance & Housing: 4/3/03 [DPA-WM].
Ways & Means: 4/11/03 [w/oRec].

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Benton, Chair; Winsley, Vice Chair; Keiser, Prentice, Reardon and Roach.

Staff: Elizabeth Mitchell (786-7430)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That it be referred without recommendation.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Brown, Doumit, Fairley, Fraser, Hale, Johnson, Parlette, Regala, Roach, Sheahan, B. Sheldon and Winsley.

Staff: Chelsea Buchanan (786-7446)

Background: The Board of Accountancy regulates the profession of accounting at both the business and the individual level.

Licensed accounting firms must meet certain requirements, including a requirement that a simple majority of the owners of a licensed firm must hold individual accounting licenses. Licensed firms that fall out of compliance with licensing requirements due to changes in ownership or personnel must notify the board within 30 days.

The board may impose a fine of up to \$10,000 for prohibited actions.

Summary of Amended Bill: Licensed accounting firms, certificate holders, and nonlicensee owners must notify the board within 30 days after receiving a sanction, suspension, revocation, or modification of their practice rights from the Internal Revenue Service, the Securities and Exchange Commission, or another state board of accountancy. Licensed firms, certificate holders and nonlicensee owners must notify the board within 30 days after receiving a sanction or order from a federal or state agency that is related to a violation of ethical or technical standards. Licensed firms must notify the board within 30 days of receiving notification of charge of a violation of law by a federal or state agency. The board must adopt rules regarding these provisions, and may also adopt rules specifying requirements for licensees to report sanctions or orders by other entities.

Licensed firms that fall out of compliance with licensing requirements due to changes in ownership or personnel must notify the board within 90 days.

The board may impose a fine of up to \$30,000 for prohibited actions.

Licensed firms must retain records relevant to an audit or review of a client's financial statements for seven years.

By December 1, 2003, the Board of Accountancy must report to the Legislature regarding the issue of auditor independence.

Amended Bill Compared to Substitute Bill: Licensed accounting firms, certificate holders, and nonlicensee owners must notify the board within 30 days after receiving a sanction, suspension, revocation, or modification of their practice rights from the Internal Revenue Service, the Securities and Exchange Commission, or another state board of accountancy. Licensed firms, certificate holders and nonlicensee owners must notify the board within 30 days after receiving a sanction or order from a federal or state agency that is related to a violation of ethical or technical standards. Licensed firms must notify the board within 30 days of receiving notification of charge of a violation of law by a federal or state agency. The board must adopt rules regarding these provisions, and may also adopt rules specifying requirements for licensees to report sanctions or orders by other entities.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill originated from discussions in the summer, and is vital to the economy of the state. The bill addresses retention of documents and auditor independence. This bill strongly supports public protection. Larger firms would prefer that notification take place at the time of a charge of violation of law. This would be more cost effective than notification of every type of investigation.

Testimony Against: None.

Testified: PRO: Representative Conway, prime sponsor; Mel Curtiss, Barb Adams, CPA, Board of Accounting; Gary Smith, Ind Bus. Assn.; Jim Boldt, Washington Soc CPAs.

