SENATE BILL REPORT
SB 6425

As of January 26, 2010

Title: An act relating to transferring the board of accountancy to the department of licensing.

Brief Description: Transferring the board of accountancy to the department of licensing.

Sponsors: Senator Fairley; by request of Governor Gregoire.

Brief History:
Committee Activity: Government Operations & Elections: 1/25/10.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Staff: Sharon Swanson (786-7447)

Background: The Washington State Board of Accountancy (Board) is a consumer protection agency that regulates Certified Public Accountants (CPAs), CPA-Inactive certificate holders, CPA firms, non-licensee CPA firm owners, and the practice of public accounting in Washington State.

The Board is not funded by public tax dollars. The Board pays for operating costs from initial license fees, license renewal fees, firm license amendment fees, Quality Assurance Review program monitoring fees, contractual fees related to the administration of the Uniform CPA examination, reinstatements of lapsed, suspended, or previously revoked licenses and late fees.

The Board is an independent state agency that employs ten individuals and provides the following services:
- tests approximately 2,000 candidates per year;
- evaluates the initial qualifications of applicants and firms and approves or denies licenses;
- reviews and monitors the continuing qualifications and performance of the 14,500 individuals licensed in Washington state;
- investigates an average of 200 complaints received and probable violations per year;
- collects an average of between $20,000 and $50,000 in fines each year that goes into the state's general fund.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: The Board is transferred from an independent state agency to an independent program within the Business and Professional Division at the Department of Licensing (DOL).

Board employees become employees of DOL.

Fee setting authority is given to DOL.

The Uniform Regulation of Business and Professions Act is amended regarding disciplinary guidelines.

DOL is authorized to refuse to issue a license to practice public accounting to an applicant for lack of good character if the finding is supported by clear and convincing evidence.

All personnel, physical materials and assets, funds, appropriations, rules, and pending business before the Board is transferred to DOL.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2010.

Staff Summary of Public Testimony: PRO: This legislation is part of the Governor's overall reform package. The goal is to cut costs, consolidate services, and promote government efficiency. The Board will move to DOL but will retain all of their employees and will keep their independence. All other boards are under either the Department of Health or DOL. All licensing agencies report to a larger entity, except the Board. The Board is hopelessly broken. Only the Governor's Office can provide oversight and that office has been very forthcoming with the fact that they do not have the manpower or resources to provide oversight. There needs to be accountability, transparency, and supervision and this will only happen if the Board is moved to DOL. There is a need for adult supervision at the Board. The Board staff is unsupervised and there have been lapses in judgment and abuses of power.

CON: Of the nearly 10,000 disciplinary matters before the Board, only two individuals have complained. Only three states have consolidated Boards of Accountancy. The work the Board conducts is very complicated. The Board coordinates license holders across state lines and truly needs operational independence to continue to work effectively. If the Board were to move to a larger agency, there could very well be an erosion of the exclusive focus on accounting matters by people who are trained in such matters. The risk to the public is great. The Board needs to remain nimble and quick to respond. There is a U.S. Treasury report that recommends that State Boards of Accountancy remain independent and not become part of an umbrella agency. Additionally, there is no fiscal reason to do this. The fiscal note indicates there are not identified efficiencies at this time. Perhaps the responsible thing to do is to study this issue before making such a serious decision.

Persons Testifying: PRO: Kathleen Drew, Governor's Policy Office; Rowland Thompson, Allied Newspapers; Ed Clark, Clark Raymond CPA; Greg Overstreet, Allied Law Group.

CON: Richard Jones, Washington State Environmental Protection Agency; Gerald Ryles, Robert Hutchins, Board of Accountancy; Thomas Neill, Washington Society of CPAs; Lisa Thatcher; Gary Smith, Independent Business Association.