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**Business & Financial Services Committee**

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**HB 2468**

**Brief Description:** Allowing firms in the Canadian province of British Columbia to perform attest or compilation services for companies in Washington state that are the consolidated, subsidiary, or component entity of another corporate entity registered in Canada.

**Sponsors:** Representatives Vick and Kirby.

**Brief Summary of Bill**

- Specifies that chartered professional accountants and chartered professional accounting firms licensed or registered in the Canadian province of British Columbia may perform attest or compilation engagements for subsidiaries of Canadian companies operating in Washington without holding an individual Certified Public Accountant (CPA) license or a CPA-firm license issued by the Board of Accountancy.

**Hearing Date:** 1/17/18

**Staff:** Peter Clodfelter (786-7127).

**Background:**

The Public Accountancy Act (Act) governs the practice of accounting in Washington. Under the Act, both accountants and accounting firms must be licensed to hold themselves out as "certified public accountants" or "CPAs." The Board of Accountancy (Board) issues licenses, adopts rules, conducts investigations, administers an examination, and otherwise implements the Act.

Certified Public Accountants and CPA firms perform various services that, depending on the service, must meet certain professional standards. The Board conducts a quality assurance review (QAR) program to review the work of licensees and out-of-state CPAs with practice privileges in Washington. Generally, out-of-state CPAs and CPA firms licensed in their home state may perform attest and compilation services for people and businesses in Washington, subject to certain requirements, such as consenting to jurisdiction in Washington.

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*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.*

The word "state" is defined to include the states of the United States, the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands if the Board determines that the Commonwealth of the Northern Mariana Islands is issuing licenses under substantially equivalent standards as Washington.

The Board must grant a license as a CPA to a holder of a permit, license, or certificate issued by a foreign country's board, agency, or institute, provided the following conditions are met:

- The foreign country where the foreign permit, license, or certificate was issued is a party to an agreement on trade with the United States that encourages the mutual recognition of licensing and certification requirements for the provision of covered services by the parties under the trade agreement.
- The foreign country's board, agency, or institute makes similar provision to allow a person who holds a valid license issued by Washington to obtain the foreign country's comparable permit, license, or certificate.
- The foreign permit, license, or certificate: (1) was duly issued by the foreign country's board, agency, or institute that regulates the practice of public accountancy; (2) is in good standing at the time of the application; and (3) was issued upon the basis of educational, examination, experience, and ethical requirements substantially equivalent currently or at the time of issuance of the foreign permit, license, or certificate to those in Washington.
- Within the previous 36 months the applicant completed an accumulation of 120 hours of CPE (although the Board may vary this requirement by rule).
- The applicant's foreign permit, license, or certificate was the type of permit, license, or certificate requiring the most stringent qualifications if, in the foreign country, more than one type of permit, license, or certificate is issued.
- The applicant has passed a written examination or its equivalent, approved by the Board, that tests knowledge in the areas of United States accounting principles, auditing standards, commercial law, income tax law, and Washington state rules of professional ethics.
- The applicant has within the eight years prior to applying for a license, demonstrated, in accordance with the rules issued by the Board, one year of public accounting experience, within the foreign country where the foreign permit, license, or certificate was issued, equivalent to the experience required in Washington or such other experience or employment which the Board in its discretion regards as substantially equivalent.

Attest services are the following financial statement services:

- any audit or other engagement to be performed in accordance with the Statements on Auditing Standards;
- any review of a financial statement to be provided in accordance with the Statements on Standards for Accounting and Review Services;
- any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements; and
- any engagement to be performed in accordance with the Public Company Accounting Oversight Board Auditing Standards.

Compilation services are defined to mean providing a service to be performed in accordance with Statements on Standards for Accounting and Review Services that is presenting in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the statements.

**Summary of Bill:**

It is specified that nothing the Public Accountancy Act prohibits any firm holding a license or registration as a chartered professional accounting firm in the Canadian province of British Columbia from performing any of the following services without being licensed by the Board:

- an attest or compilation engagement of a business entity operating in Washington state that is the consolidated, subsidiary, or component entity of another entity that is operating in Canada who acts as the issuer of the report; or
- a standalone attest or compilation engagement of a wholly or majority-owned subsidiary and or component of an entity that is operating in Canada.

Similarly, it is provided that a chartered professional accountant licensed in the Canadian province of British Columbia who is an employee or owner of a chartered professional accounting firm also registered in the Canadian province of British Columbia is not required to obtain a license as a Certified Public Accountant in Washington state to perform attest or compilation engagements to such subsidiaries of Canadian companies.

However, all of the above changes to law expire on June 30, 2023.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.