

SENATE BILL REPORT

HB 1208

As Passed Senate, April 10, 2019

Title: An act relating to public accounting services.

Brief Description: Concerning public accounting services.

Sponsors: Representatives Vick, Kirby and Wylie; by request of State Board of Accountancy.

Brief History: Passed House: 2/14/19, 96-0.

Committee Activity: Labor & Commerce: 3/26/19 [DP].

Floor Activity:

Passed Senate: 4/10/19, 46-0.

Brief Summary of Bill

- Allows the Board of Accountancy to adopt rules governing firms providing public accounting services.
- Removes certain provisions requiring a license or registration if a firm with an office in this state uses the title CPA or CPA firm.
- Require firms with offices in this state to hold a license if it performs or offers to perform attest services.
- Requires entities, that perform or offer to perform attest or compilation services and are required to be licensed, to license as a firm every three years.
- Limits the uses of the inactive designation.

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass.

Signed by Senators Keiser, Chair; Conway, Vice Chair; King, Ranking Member; Braun, Saldaña, Walsh and Wellman.

Staff: Susan Jones (786-7404)

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.

Background: Under the Public Accountancy Act (Act), both accountants and accounting firms must be licensed to hold themselves out as CPAs. The Board of Accountancy (Board) issues licenses, adopts rules, conducts investigations, administers an examination, and implements the laws of the Act.

CPAs and CPA firms perform services that 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. In general, out-of-state CPAs and CPA firms licensed in their home state may perform attest and compilation services in Washington, subject to certain requirements.

Attest services include:

- 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 services that are 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 without undertaking to express any assurance on the statements.

Summary of Bill: The Board may adopt rules governing firms providing public accounting services.

Certain provisions are removed requiring a CPA license or registration if a firm with an office in this state uses the title CPA or CPA firm. Firms with offices in this state must hold a license if it performs or offers to perform attest services. Entities, that perform or offer to perform attest or compilation services and are required to be licensed, must license as a firm every three years.

No individual, except as a firm employee or owner performing or offering to perform attest or compilation services, may use the designations of certified public accountant-inactive or CPA-inactive.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This bill is a clean up bill and simplifies the code. The Board got together to determine whether a firm has to have a license in certain circumstances. The intent of the bill is simple. It allows firms that do not provide attest services to have flexibility on whether they will hold a firm license. Having a firm license takes substantial administrative time and support. Many small firms would benefit from this change. CPAs must still hold their individual licenses; comply with the laws and rules; and be subject to disciplinary authority. State and federal laws still provide public protection.

Persons Testifying: PRO: Representative Brandon Vick, Prime Sponsor; Amanda O'Rourke, Washington Society of Certified Public Accountants; Ashley Kittrell, Washington Society of Certified Public Accountants.

Persons Signed In To Testify But Not Testifying: No one.