
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 petitioned to become a
19 licensee, has maintained continuing professional education requirements
20 and who does not practice public 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 act or board rule and may provide general consumer
21 protection information to the public.

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

26 (11) The board may order restitution as a condition of a stipulated
27 agreement and order of assurance.

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

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

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

36 (2) Rules of professional conduct for all ((certificate and license
37 holders)) licensees, certificate holders, and nonlicensee owners of
38 licensed firms, in order to establish and maintain high standards of

1 competence and ethics (~~(of certified public accountants)~~) including
2 rules dealing with independence, integrity, objectivity, and freedom
3 from conflicts of interest;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (ii) While employed in government, industry, academia, or public
26 practice; and

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

29 (e) Who has paid appropriate fees as established by rule by the
30 board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 ~~(9) The board may adopt by rule new CPE standards that differ from~~
38 ~~those in subsection (8) of this section or RCW 18.04.215 if: (a) The~~
39 ~~new standards are consistent with the continuing professional education~~

1 standards of other states so as to provide to the greatest extent
2 possible, consistent national standards; and (b) the new standards are
3 at least as strict as the standards set forth in subsection (8) of this
4 section or RCW 18.04.215.)

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

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

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

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

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

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

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

37 (6) Persons who on June 30, 2001, held valid certificates
38 previously issued under this chapter are deemed to hold inactive
39 certificates, subject to renewal as inactive certificates, until they

1 document to the board that they have met the experience requirements
2 established in subsection (1) of this section, the CPE requirements
3 established by board rule, and pay the license fee established by rule
4 by the board. No individual who did not hold a valid certificate
5 before July 1, 2001, is eligible to obtain an inactive certificate.

6 (7) Persons deemed to hold inactive certificates under subsection
7 (6) of this section shall comply with the prohibition against the
8 practice of public accounting in subsection (8)(b) of this section and
9 RCW 18.04.345, but are not required to display the term inactive as
10 part of their title, as required by subsection (8)(a) of this section
11 until renewal. Certificates renewed to any persons after June 30,
12 2001, are inactive certificates and the inactive certificate holders
13 are subject to the requirements of subsection (8) of this section.

14 (8) Persons holding an inactive certificate:

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

21 (b) Are prohibited from practicing public accounting.

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

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

29 ((+1)) (a) Such state makes similar provision to grant reciprocity
30 to a holder of a ((certificate or)) valid certificate ((and valid)) or
31 license in this state; ((and

32 +2)) (b) The applicant meets the ((continuing professional
33 education)) CPE requirements of RCW ((18.04.105(8)) 18.04.215(5);
34 ((and

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

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

1 ~~(b) The applicant: Meets all current requirements in this state~~
2 ~~for issuance of a certificate at the time application is made; or at~~
3 ~~the time of the issuance of the applicant's certificate in the other~~
4 ~~state, met all the requirements then applicable in this state; or~~

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

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

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

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

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

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

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

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

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

37 (2) Such foreign country's board, agency, or institute makes
38 similar provision to allow a person who holds a valid ~~((certificate))~~

1 license issued by this state to obtain such foreign country's
2 comparable permit, license, or certificate; ~~((and))~~

3 (3) The foreign permit, license, or certificate:
4 (a) Was duly issued by such foreign country's board, agency, or
5 institute that regulates the practice of public accountancy; and
6 (b) Is in good standing at the time of the application; and
7 (c) Was issued upon the basis of educational, examination,
8 experience, and ethical requirements substantially equivalent currently
9 or at the time of issuance of the foreign permit, license, or
10 certificate to those in this state; ~~((and))~~

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

17 (5) ~~((If the application is for a certificate:~~
18 ~~(a))~~ The applicant's foreign permit, license, or certificate was
19 the type of permit, license, or certificate requiring the most
20 stringent qualifications if, in the foreign country, more than one type
21 of permit, license, or certificate is issued. This state's board shall
22 decide which are the most stringent qualifications; ~~((and~~
23 ~~(b))~~) (6) The applicant has passed a written examination or its
24 equivalent, approved by the board, that tests knowledge in the areas of
25 United States accounting principles, auditing standards, commercial
26 law, income tax law, and Washington state rules of professional ethics;
27 ~~((or~~
28 ~~(6) If the application is for a certificate and license:~~
29 ~~(a) The requirements of subsections (1) through (5) of this section~~
30 ~~are satisfied;)) and~~

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

1 The board may adopt by rule new CPE standards that differ from
2 those in subsection (4) of this section or RCW 18.04.215 if the new
3 standards are consistent with the ~~((continuing professional education))~~
4 CPE standards of other states so as to provide to the greatest extent
5 possible, consistent national standards.

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

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

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

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

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

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

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

1 ~~((b))~~ The ~~((person))~~ sole proprietor shall ~~((be a certified public~~
2 ~~accountant—holding))~~ hold a license to practice under RCW
3 18.04.215~~((-))~~;

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

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

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

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

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

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

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

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

1 (3) A corporation (~~(organized for the practice of public accounting~~
2 ~~and))~~ engaged in this state (~~(in the practice of public accounting)~~)
3 and offering to issue or issuing reports on financial statements or
4 using the title CPA or certified public accountant shall license as a
5 firm every three years with the board (~~(as a corporation of certified~~
6 ~~public accountants))~~ and shall meet the following requirements:

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

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

25 (~~(c)~~) (b) At least one shareholder of the corporation shall (~~be~~
26 ~~a certified public accountant holding)~~ hold a license (~~to practice)~~
27 under RCW 18.04.215;

28 (~~(d)~~) (c) Each resident (~~licensee)~~ person in charge of an
29 office (~~of the corporation)~~ located in this state (~~and each~~
30 ~~shareholder or director personally engaged within this state in the~~
31 ~~practice of public accounting)~~ shall (~~be a certified public~~
32 ~~accountant holding)~~ hold a license (~~to practice)~~ under RCW
33 18.04.215;

34 (~~(e)~~) (d) A written agreement shall bind the corporation or its
35 shareholders to purchase any shares offered for sale by, or not under
36 the ownership or effective control of, a qualified shareholder, and
37 bind any holder not a qualified shareholder to sell the shares to the
38 corporation or its qualified shareholders. The agreement shall be
39 noted on each certificate of corporate stock. The corporation may

1 purchase any amount of its stock for this purpose, notwithstanding any
2 impairment of capital, as long as one share remains outstanding; ~~((and~~
3 ~~(f))~~) (e) The corporation shall comply with any other rules
4 pertaining to corporations practicing public accounting in this state
5 as the board may prescribe; and

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

8 (4) A limited liability company engaged 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 limited liability company of certified public
13 accountants)), and shall meet the following requirements:

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

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

20 ~~((e))~~ (b) Each resident manager or member in charge of an office
21 ~~((of the limited liability company))~~ located in this state ~~((and each~~
22 ~~resident manager or member personally engaged within this state in the~~
23 ~~practice of public accounting))~~ shall ~~((be a certified public~~
24 ~~accountant holding))~~ hold a license ~~((to practice))~~ under RCW
25 18.04.215;

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

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

37 (5) Application for a license as a firm shall be made upon the
38 affidavit of the proprietor or person designated as managing partner,
39 member, or shareholder for Washington. This person shall ~~((be a~~

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

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

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

28 (8) Nonlicensee owners of licensed firms are:

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

31 (b) Required to be a natural person;

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

35 (d) Subject to discipline by the board for violation of this
36 chapter.

37 (9) Resident nonlicensee owners of licensed firms are required to
38 meet:

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

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

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

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

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

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

21 (4) Fees for the registration of offices shall be determined by the
22 board. Fees shall be paid by the applicant at the time the
23 registration form is filed with the board.

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

26 (1) ~~((Three year licenses shall be issued by the board:))~~ Licenses
27 issued to persons by the board shall be for three years.

28 (a) ~~To((holders of certificates as certified public accountants))~~
29 certificate holders who have demonstrated they meet the experience
30 requirements of RCW 18.04.105, ~~((in accordance with rules issued by the~~
31 ~~board, one year of public accounting experience, or such other~~
32 ~~experience or employment which the board in its discretion regards as~~
33 ~~substantially equivalent))~~ and who, if their certificate was issued
34 more than forty-eight months prior to application ~~((under this~~
35 ~~section))~~ for a license, submit to the board satisfactory proof of
36 having completed an accumulation of one hundred twenty hours of

1 (~~(continuing professional education)~~) CPE during the thirty-six months
2 preceding the application;

3 (b) To firms under RCW 18.04.195, (~~(if all offices of the firm in~~
4 ~~this state are maintained and registered as required under)~~) meeting
5 the requirements of RCW 18.04.205.

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

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

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

28 (5) The board shall adopt rules providing for CPE for licensees or
29 certificate holders. The rules shall:

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

34 (b) Establish CPE requirements; and

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

37 (6) A certified public accountant who holds a (~~(permit or)~~) license
38 issued by another state, and applies for a license in this state, may
39 practice in this state from the date of filing a completed application

1 with the board, until the board has acted upon the application provided
2 the application is made prior to holding out as a certified public
3 accountant in this state and no sanctions or investigations, deemed by
4 the board to be pertinent to public accountancy, by other jurisdictions
5 or agencies are in process.

6 ~~((4))~~ (7) A ~~((certified public accountant))~~ licensee shall submit
7 to the board satisfactory proof of having completed an accumulation of
8 one hundred twenty hours of ~~((continuing education))~~ CPE recognized and
9 approved by the board during the preceding three years. Failure to
10 furnish this evidence as required shall make the ~~((certificate~~
11 ~~invalid))~~ license lapse and subject to reinstatement procedures, unless
12 the board determines the failure to have been due to retirement~~((7))~~ or
13 reasonable cause~~((, or excusable neglect))~~.

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

25 ~~((5))~~ (8) Fees for ~~((issuance or))~~ renewal or reinstatement of
26 certificates and licenses in this state shall be determined by the
27 board under this chapter ~~((18.04 RCW))~~. Fees shall be paid by the
28 applicant at the time the application form is filed with the board.
29 The board, by rule, may provide for proration of fees for
30 ~~((certificates and))~~ licenses or certificates issued between normal
31 renewal dates.

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

34 The board ~~((of accountancy))~~ shall have the power to: Revoke,
35 suspend, ~~((or))~~ refuse to renew ~~((a)),~~ or reinstate a license or
36 certificate ~~((or license, and may))~~; impose a fine in an amount not to
37 exceed ~~((one))~~ ten thousand dollars plus the board's investigative and
38 legal costs in bringing charges against a certified public accountant,

1 ~~((or))~~ a certificate holder, a licensee, a licensed firm, or a
2 nonlicensee holding an ownership interest in a licensed firm; may
3 impose full restitution to injured parties; may impose conditions
4 precedent to renewal of ((the)) a certificate or a license ((of any
5 certified public accountant)); or may prohibit a nonlicensee from
6 holding an ownership interest in a licensed firm, for any of the
7 following causes:

8 (1) Fraud or deceit in obtaining a ((certificate as a certified
9 public accountant, or in obtaining a)) license, or in any filings with
10 the board;

11 (2) Dishonesty, fraud, or negligence while representing oneself as
12 a ((CPA)) nonlicensee owner holding an ownership interest in a licensed
13 firm, a licensee, or a certificate holder;

14 (3) A violation of any provision of this chapter;

15 (4) A violation of a rule of professional conduct promulgated by
16 the board under the authority granted by this chapter;

17 (5) Conviction of a crime or an act constituting a crime under:

18 (a) The laws of this state;

19 (b) The laws of another state, and which, if committed within this
20 state, would have constituted a crime under the laws of this state; or

21 (c) Federal law;

22 (6) Cancellation, revocation, suspension, or refusal to renew the
23 authority to practice as a certified public accountant by any other
24 state for any cause other than failure to pay a fee or to meet the
25 requirements of ((continuing education)) CPE in the other state;

26 (7) Suspension or revocation of the right to practice matters
27 relating to public accounting before any state or federal agency;

28 For purposes of subsections (6) and (7) of this section, a
29 certified copy of such revocation, suspension, or refusal to renew
30 shall be prima facie evidence;

31 (8) Failure to maintain compliance with the requirements for
32 issuance, renewal, or reinstatement of ((the)) a certificate or
33 license, or to report changes to the board;

34 (9) Failure to cooperate with the board by:

35 (a) Failure to furnish any papers or documents requested or ordered
36 by the board;

37 (b) Failure to furnish in writing a full and complete explanation
38 covering the matter contained in the complaint filed with the board or
39 the inquiry of the board;

1 (c) Failure to respond to subpoenas issued by the board, whether or
2 not the recipient of the subpoena is the accused in the proceeding;
3 (10) Failure by a nonlicensee owner of a licensed firm to comply
4 with the requirements of this chapter or board rule; and
5 (11) Failure to comply with an order of the board.

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

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

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

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

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

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

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

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

31 (a) Modify the suspension of, or reissue a certificate or a license
32 to, an individual whose certificate or license has been revoked or
33 suspended; or

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

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

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

10 (1) No person may assume or use the designation "certified public
11 accountant-inactive" or "CPA-inactive" or any other title, designation,
12 words, letters, abbreviation, sign, card, or device tending to indicate
13 that the person is a certified public accountant-inactive or CPA-
14 inactive unless the person holds a (~~valid~~) certificate (~~as a~~
15 ~~certified public accountant~~). Persons holding a certificate may not
16 practice public accounting.

17 (2) No person may hold himself or herself out to the public (~~and~~)
18 or assume or use the designation "certified public accountant" or "CPA"
19 or any other title, designation, words, letters, abbreviation, sign,
20 card, or device tending to indicate that the person is a certified
21 public accountant or CPA unless the person holds a (~~valid certificate~~
22 ~~as a certified public accountant and holds a valid~~) license (~~to~~
23 ~~practice~~) under RCW 18.04.215.

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

33 (4) No person, partnership, limited liability company, or
34 corporation offering accounting services to the public may hold
35 himself, herself, or itself out to the public, or assume or use along,
36 or in connection with his, hers, or its name, or any other name the
37 title or designation "certified accountant," "chartered accountant,"
38 "licensed accountant," "licensed public accountant," "public

1 accountant," or any other title or designation likely to be confused
2 with "certified public accountant" or any of the abbreviations "CA,"
3 "LA," "LPA," or "PA," or similar abbreviations likely to be confused
4 with "CPA." (~~((However, nothing in this chapter prohibits use of the
5 title "accountant" by any person regardless of whether the person has
6 been granted a certificate or holds a license under this chapter.))~~)

7 (5) No licensed firm may operate under an alias, a firm name,
8 title, or "DBA" that differs from the firm name that is registered with
9 the board.

10 (6) No person may sign, affix, or associate his or her name or any
11 trade or assumed name used by the person in his or her business to any
12 report designated as an "audit," "review," or "compilation," unless the
13 person holds a license to practice under RCW 18.04.215 and a firm
14 license under RCW 18.04.195, and all of the person's offices in this
15 state ((for the practice of public accounting are maintained and)) are
16 licensed under RCW 18.04.205.

17 ~~((+6))~~ (7) No person may sign, affix, or associate a firm name to
18 any report designated as an "audit," "review," or "compilation," unless
19 the firm is licensed under RCW 18.04.195 and 18.04.215, and all of its
20 offices in this state ((for the practice of public accounting)) are
21 maintained and registered under RCW 18.04.205.

22 ~~((+7))~~ (8) No person, partnership, limited liability company, or
23 corporation not holding a license to practice under RCW 18.04.215 may
24 hold himself, herself, or itself out to the public as an "auditor" with
25 or without any other description or designation by use of such word on
26 any sign, card, letterhead, or in any advertisement or directory.

27 ~~((+8) No person may assume or use the designation "certified public
28 accountant" or "CPA" in conjunction with names indicating or implying
29 that there is a partnership or corporation, if there is in fact no bona
30 fide partnership or corporation registered under RCW 18.04.195.~~

31 ~~(9) No person, partnership, or corporation holding a license under
32 RCW 18.04.215 may hold himself, herself, or itself out to the public in
33 conjunction with the designation "and Associates" or "and Assoc."
34 unless he or she has in fact a partner or employee who holds a license
35 under RCW 18.04.215.)~~

36 **Sec. 18.** RCW 18.04.350 and 1992 c 103 s 15 are each amended to
37 read as follows:

1 (1) Nothing in this chapter prohibits any person not (~~a certified~~
2 ~~public accountant~~) holding a license from serving as an employee of a
3 firm licensed, (~~or as assistant to, a certified public accountant or~~
4 ~~partnership composed of certified public accountants or corporation of~~
5 ~~certified public accountants holding a valid license~~) under RCW
6 18.04.215. However, the employee or assistant shall not issue any
7 accounting or financial statement over his or her name.

8 (2) (~~Nothing in this chapter prohibits a certified public~~
9 ~~accountant registered in another state, or any accountant of a foreign~~
10 ~~country holding a certificate, degree or license which permits him to~~
11 ~~practice therein from temporarily practicing in this state on~~
12 ~~professional business incident to his regular practice~~) (a) An
13 individual, whose principal place of business is not in this state, who
14 has a valid certificate or license as a certified public accountant
15 from another state, and (i) whose state of licensure has education,
16 examination, and experience requirements that are deemed by the board
17 to be substantially equivalent to this state's requirements or (ii)
18 who, as an individual, has education, examination, and experience that
19 are deemed by the board to be substantially equivalent to this state's
20 requirement shall have all the privileges of license holders of this
21 state without the need to obtain a license under RCW 18.04.105 or
22 18.04.195. However, such individuals shall notify the board, under
23 such circumstances and in such manner as the board determines by rule,
24 of their intent to enter the state under this section. The board shall
25 have the authority to establish a fee for the practice privilege
26 granted under this section by rule.

27 (b) An individual that enters the state under this section and is
28 granted this practice privilege shall abide by this chapter and the
29 rules adopted under this chapter and shall be subject to discipline for
30 violation of this chapter. However, such individual is exempt from the
31 continuing education requirements of this chapter provided the
32 individual has met the continuing education requirements of the state
33 in which the individual holds a valid certificate or license. The
34 board may accept NASBA's designation of the individual's state as
35 substantially equivalent to national standards, or NASBA's designation
36 of the applicant as substantially equivalent to national standards, as
37 meeting the requirement for a certified public accountant to be
38 substantially equivalent to this state's requirements.

1 (c) Any certificate or license holder of another state exercising
2 the privilege afforded under this section consents, as a condition of
3 the grant of this privilege:

4 (i) To the personal and subject matter jurisdiction of the board;

5 (ii) To the appointment of the state board which issued the
6 certificate or license as their agent upon whom process may be served
7 in any action or proceeding by this state's board against the
8 certificate holder or licensee.

9 (d) A licensee of this state offering or rendering services or
10 using their certified public accountant title in another state shall be
11 subject to disciplinary action in this state for an act committed in
12 another state for which the certificate or permit holder would be
13 subject to discipline for an act committed in the other state provided
14 the board receives timely notification of the act. Notwithstanding RCW
15 18.04.295, the board may investigate any complaint made by the board of
16 accountancy of another state.

17 (3) Nothing in this chapter prohibits a ~~((certified public~~
18 ~~accountant, a partnership, or corporation of certified public~~
19 ~~accountants)) licensee, a licensed firm, or any of their employees from~~
20 disclosing any data in confidence to other certified public
21 accountants, quality assurance or peer review teams, partnerships,
22 limited liability companies, or corporations of public accountants or
23 to the board or any of its employees engaged in conducting ~~((quality,~~)
24 ~~quality assurance((,))~~ or peer reviews, or any one of their employees
25 in connection with quality or peer reviews of that accountant's
26 accounting and auditing practice conducted under the auspices of
27 recognized professional associations.

28 (4) Nothing in this chapter prohibits a ~~((certified public~~
29 ~~accountant, a partnership, or corporation of certified public~~
30 ~~accountants)) licensee, a licensed firm, or any of their employees from~~
31 disclosing any data in confidence to any employee, representative,
32 officer, or committee member of a recognized professional association,
33 or to the board ~~((of accountancy))~~, or any of its employees or
34 committees in connection with a professional investigation held under
35 the auspices of recognized professional associations or the board ~~((of~~
36 ~~accountancy))~~.

37 (5) Nothing in this chapter prohibits any officer, employee,
38 partner, or principal of any organization:

1 (a) From affixing his or her signature to any statement or report
2 in reference to the affairs of the organization with any wording
3 designating the position, title, or office which he or she holds in the
4 organization; or

5 (b) From describing himself or herself by the position, title, or
6 office he or she holds in such organization.

7 (6) Nothing in this chapter prohibits any person, (~~or~~)
8 partnership, limited liability company, or corporation composed of
9 persons not holding a license under RCW 18.04.215 from offering or
10 rendering to the public bookkeeping, accounting, tax services, the
11 devising and installing of financial information systems, management
12 advisory, or consulting services, the preparation of tax returns, or
13 the furnishing of advice on tax matters, the preparation of financial
14 statements, written statements describing how such financial statements
15 were prepared, or similar services, provided that persons,
16 partnerships, limited liability companies, or corporations not holding
17 a license under RCW 18.04.215 who offer or render these services do not
18 designate any written statement as an "audit report," "review report,"
19 or "compilation report," do not issue any written statement which
20 purports to express or disclaim an opinion on financial statements
21 which have been audited, and do not issue any written statement which
22 expresses assurance on financial statements which have been reviewed.

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

26 (8) Nothing contained in this chapter prohibits any person who
27 holds only a valid (~~certified public accountant~~) certificate from
28 assuming or using the designation "certified public accountant_
29 inactive" or "CPA-inactive" or any other title, designation, words,
30 letters, sign, card, or device tending to indicate the person is a
31 (~~certified public accountant~~) certificate holder, provided, that such
32 person (~~shall~~) does not (~~hold himself or herself out to the public~~
33 ~~as engaged in the practice of public accounting unless that person~~
34 ~~holds a valid license in addition to the certificate under RCW~~
35 ~~18.04.215~~) perform or offer to perform for the public one or more
36 kinds of services involving the use of accounting or auditing skills,
37 including issuance of reports on financial statements or of one or more
38 kinds of management advisory, financial advisory, consulting services,

1 the preparation of tax returns, or the furnishing of advice on tax
2 matters.

3 (9) Nothing in this chapter prohibits the use of the title
4 "accountant" by any person regardless of whether the person has been
5 granted a certificate or holds a license under this chapter. Nothing
6 in this chapter prohibits the use of the title "enrolled agent" or the
7 designation "EA" by any person regardless of whether the person has
8 been granted a certificate or holds a license under this chapter if the
9 person is properly authorized at the time of use to use the title or
10 designation by the United States department of the treasury. The board
11 shall by rule allow the use of other titles by any person regardless of
12 whether the person has been granted a certificate or holds a license
13 under this chapter if the person using the titles or designations is
14 authorized at the time of use by a nationally recognized entity
15 sanctioning the use of board authorized titles.

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

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

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

24 (b) Notwithstanding (a) of this subsection, any person who uses a
25 professional title intended to deceive the public, in violation of RCW
26 18.04.345, having previously entered into a stipulated agreement and
27 order of assurance with the board, is guilty of a felony, and upon
28 conviction thereof, is subject to a fine of not more than ten thousand
29 dollars, or to imprisonment for not more than two years, or to both
30 such fine and imprisonment.

31 (2) With the exception of first time violations of RCW 18.04.345,
32 subject to subsection (3) of this section whenever the board has reason
33 to believe that any person is violating the provisions of this chapter
34 it shall certify the facts to the prosecuting attorney of the county in
35 which such person resides or may be apprehended and the prosecuting
36 attorney shall cause appropriate proceedings to be brought against such
37 person.

1 (3) The board may elect to enter into a stipulated agreement and
2 orders of assurance with persons in violation of RCW 18.04.345 who have
3 not previously been found to have violated the provisions of this
4 chapter.

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

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

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

23 (2) Certified public accountant-inactive or any abbreviation is
24 prima facie evidence in any action brought under this chapter that the
25 person whose name is so displayed caused or procured the display or
26 presentation of the card, sign, advertisement, or other printed,
27 engraved, or written instrument or device, and that the person is
28 holding himself or herself out to be a certified public accountant-
29 inactive under this chapter.

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

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

36 (1) In the absence of an express agreement between the ((certified
37 public accountant)) licensee or licensed firm and the client to the

1 contrary, all statements, records, schedules, working papers, and
2 memoranda made by a (~~certified public accountant~~) licensee or
3 licensed firm incident to or in the course of professional service to
4 clients, except reports submitted by a (~~certified public accountant to~~
5 ~~a client~~) licensee or licensed firm, are the property of the
6 (~~certified public accountant~~) licensee or licensed firm.

7 (2) No statement, record, schedule, working paper, or memorandum
8 may be sold, transferred, or bequeathed without the consent of the
9 client or his or her personal representative or assignee, to anyone
10 other than one or more surviving partners, shareholders, or new
11 partners or new shareholders of the (~~accountant~~) licensee,
12 partnership, limited liability company, or corporation, or any combined
13 or merged partnership, limited liability company, or corporation, or
14 successor in interest.

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

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

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

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

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

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

35 (1) A (~~certified public accountant, a partnership or corporation~~
36 ~~of certified public accountants~~) licensee, certificate holder, or
37 licensed firm, or any of their employees shall not disclose any
38 confidential information obtained in the course of a professional

1 transaction except with the consent of the client or former client or
2 as disclosure may be required by law, legal process, the standards of
3 the profession, or as disclosure of confidential information is
4 permitted by RCW 18.04.350 (3) and (4), 18.04.295(8), 18.04.390, and
5 this section in connection with (~~(quality,)~~) quality assurance, or peer
6 reviews, investigations, and any proceeding under chapter 34.05 RCW.

7 (2) This section shall not be construed as limiting the authority
8 of this state or of the United States or an agency of this state, the
9 board, or of the United States to subpoena and use such confidential
10 information obtained by a licensee, or any of their employees in the
11 course of a professional transaction in connection with any
12 investigation, public hearing, or other proceeding, nor shall this
13 section be construed as prohibiting a licensee or certified public
14 accountant whose professional competence has been challenged in a court
15 of law or before an administrative agency from disclosing confidential
16 information as a part of a defense to the court action or
17 administrative proceeding.

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

35 NEW SECTION. Sec. 23. This act is necessary for the immediate
36 preservation of the public peace, health, or safety, or support of the

1 state government and its existing public institutions, and takes effect
2 July 1, 2001.

--- END ---