

ETHICS FOR WASHINGTON



Delta Publishing Company

Copyright © 2008 *by*

DELTA PUBLISHING COMPANY

P.O. Box 5332, Los Alamitos, CA 90721-5332

All rights reserved. No part of this course may be reproduced in any form or by any means, without permission in writing from the publisher.

TABLE OF CONTENTS

Chapter 1
Ethics Defined

Chapter 2
AICPA Ethics

Chapter 3
Washington Ethics

Glossary

CHAPTER 1

ETHICS DEFINED

LEARNING OBJECTIVES:

After studying this chapter you will be able to:

1. Define ethics.
2. Differentiate between amoral and ethical values.
3. List and characterize two systems of ethics.
4. Differentiate between legal versus ethical codes.
5. Discuss the development of law and ethics.

Ethics is the “science of morals”. A moral is an accepted rule or standard of human behavior. The understanding of “accepted” is “accepted by society”, and accepted only insofar as the behavior in question being behavior that affects others in the society, even if only indirectly. The implication of this definition is therefore that private actions that have no impact on others are a matter for personal morality, which is not of business or organizational concern.

However, the distinction between personal morality and business morality may not always be so clearly defined. This is because individuals bring personal values to their jobs and to the real or perceived problems of moral choice that confront them at work. Moral choices sometimes must be made because of tensions within individuals, between individuals, or between individuals and what they believe to be the values that drive their organizations.

Furthermore, business organizations do not operate in a social vacuum. Because of the ways business organizations can and do affect the lives and livelihoods of society at large, some would argue that business organizations are kind of “moral agents” in society. Therefore managers and general public alike often wrestle with defining exactly what constitutes the ethical way of doing business, and what constitutes proper constraints on individual self-interests, and by whom shall these constraints be imposed.

A further complexity results from the fact that businesses are increasingly becoming global in nature. Different countries have or seem to have vastly different customs and values. Understanding and assessing whether and how these different cultural and ethical conflicts should be taken into account is often most difficult.

ATTITUDES TOWARD ETHICS

AMORAL:	Condone any actions that contribute to the corporate aim. Getting away with it is the key. No set of values other than greed.
LEGALISTIC:	Obey the letter of the law but not the spirit of it,

	especially if it conflicts with profits. Ethics ignored until it becomes a problem
RESPONSIVE:	Take the view that there is something to gain from ethical behavior, Using ethics as a tool to attain corporate aim.
EMERGING:	Ethical values becoming part of the culture. Codes of ethics being action documents, and likely to contain statements reflecting core value,
ETHICAL:	Total ethical profile. Everything done is ethical, and the right thing always done by everyone. The ideal.

In general, a key focus of ethics is the concept of integrity (or honesty). Integrity in broad terms will imply that no business-persons in the course of their business functions should be party to the falsification of any facts or information or make any statement which knowingly is misleading, false or deceptive in a material particular.

Another major focus of ethics is professional competence and due care, which implies that business professionals should always perform their functions in accordance with law and regulations. In other words, business transactions and professional functions should not be undertaken unless one possesses the required competence and technical skills.

A more controversial focus is the area of freedom from conflicts of interests. The preferred position of many is that one should always avoid concurrent involvement in any business, occupation or activity, which might result in the compromising of integrity, objectivity and independence of decision making.

ETHICAL SYSTEMS

Utilitarianism (teleological ethics)	The promotion that the best long-term interest of everyone concerned should be the moral standard: one should take those actions that lead to the greatest balance of good versus bad consequences
Deontology (Kantian ethics)	It deals with the concept of duty and the rightness of acts. It emphasizes maxims, duties, rules, and principles that are so important that they should be followed whatever the consequences.

In defining law and ethics and their relationship to each other it is necessary to distinguish between moral and legal rights and duties. Morally, a person's rights consist of claims that he can justly make to the conditions of well-being; his duties consist of what he can justly contribute to

well being. Legal rights and duties - that is, claims and obligations enforceable at law - may or may not be fully in harmony with prevalent moral opinion systems in which law and ethics and religion are closely interwoven. The impact of moral opinion on law varies with the type of political structure and influence of public opinion.

In free societies the ultimate justification of law is that it serves moral ends. But the dependence of law on moral principles must not be taken to imply that there is a set of moral principles which can be laid down for guidance. However, most free societies are coming to be more or less consistent in principles that draw the line between law and morals. The task of ethics becomes two-fold: to bring out what is involved in the notion of a principle or norm of action and to recognize ideals that serve as agencies of guidance and control.

A number of consistent principles recognized in modern society are the individual, responsibility and equity. The end of law is to secure the greatest possible general individual self-assertion. In the Judeo-Christian ethic responsibility is a given: the best ordering of human society in which the individual may come to full manhood and satisfying existence. On the basis of equitable doctrine we can say confidently that morality is inseparable from the legal order; that right and wrong is part of the legal order.

HISTORICAL FOUNDATIONS OF LAW AND ETHICS

The great religions of the world gave birth to several concepts that evolved into structural precepts for society. A commonality of precepts evolved with the passing of tribal customs and tribal belief systems and the rise of the great religions of the world.

"The monotheistic idea of God unifies and coordinates the spiritual goods of the race. The unity of GOD involves the unity of all classes of men. This is a long step toward equality. The sense of sin became part and parcel of the common consciousness. It is a leveler and equalizer." For the good of the tribal society now becomes for the good of the individual. It must come to pass that a given society, if it is to retain the right to exist, must be continually extending the experience of its best things to men who were at one time outside, the pale of the best. The principle of individuality, once established, draws after it the principle of progress." "If it amounts to this, that wherever you find man, you find the eternal goods, and therefore the highest worth. The scale of market prices for the common man is forever disarranged by the discovery in him of something that is above price."

Two of the primary maxims in ethics are the utilitarian rule "Each man is to count for one, nobody for more than one". The second is Kant's--Always treat humanity, whether in yourself or another, as a person, and never as a thing."

"The only ground for counting every body as one, and nobody as more than one is the presence in all men of a something or other which possesses such value that existing social forms and economic accumulations cannot bid against it."

"The social question is the moral question, first, because its ultimate root is a choice between divergent ideals of the state, that is, between different ways of viewing and organizing the total human life in time and space; and secondly, because, as a consequence, the question concerning the worth of the labor turns into the question concerning the worth of the laborer". The history of conscience is the history of the individual where 'conscience' means knowing along with " ...nothing can be good for one man that is not law for all men."

CONCLUSIONS

In the historical development of law there are many different points of view. It is for this reason that the law is unable to accept without modification many of the results of ethical inquiry. In modern terminology law creates a duty "...there are no properties of goodness and badness that states of affairs inherently possess, and no properties of rightness or wrongness that inhere in actions."

Value judgment in a broad sense compares contrasted ways of life; rationality, prudence and stability, (one of pleasure and happiness) versus the state of anxiety, confusion, inner turmoil and impulsive rashness. The first is a "good" way of life; the other is a "bad" way in terms of value. The best way of life involves the guidance of reason, and also the way of knowledge, of understanding, of relative freedom from error.

Moral responsibility rests solely on the attitude displayed in so-called "choice". The act of choosing is essentially a proper and stringent expression of the ethical. Whenever in a stricter sense there is a question of an either/or one can always be sure that the ethical is involved.

An ethic must first decide upon the kind of social effects which it desires to achieve and the kind which it desires to avoid. It must then decide, as far as our knowledge permits, what acts will promote the desired consequences; these acts it will praise, while those having a contrary tendency it will condemn. To the extent to which man has freedom, he needs a personal morality to guide his conduct. "Good and evil grow up together and are bound in an equilibrium that cannot be surrendered. The most we can do is try to tilt the equilibrium toward the good." The least we can do is be aware of our standards of conduct least "....the habit of being amoral should make the immoral come to seem right."

CHAPTER 2

AICPA ETHICS

LEARNING OBJECTIVES:

After studying this chapter you will be able to:

1. Differentiate between rulings and principles of the AICPA' Code of Professional Conduct.
2. Briefly describe the six principles.
3. List the eleven rules.
4. List consulting services prohibited by the Sarbanes-Oxley (SOX) Act of 2002.
5. Explain disciplinary mechanisms within the profession.

This chapter covers the AICPA's *Code of Professional Conduct*, Statements on Standards for Consulting Services, and the disciplinary systems within the accounting profession. This chapter has six subunits. The first section is a condensed but comprehensive summary of the AICPA Code of Conduct. The second section lists some of the consulting services prohibited by the Sarbanes-Oxley (SOX) Act of 2002. The third section covers disciplinary systems within the profession.

AICPA's CODE OF PROFESSIONAL CONDUCT

It consists of two sections: Principles and Rules. The six principles, which provide the framework for the rules, are goal-oriented and aspirational but nonbinding.

Synopses of the Six Principles

1. *Responsibilities.* Members should exercise sensitive professional and moral judgments when carrying out their professional responsibilities. Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism. A distinguishing mark of a profession is acceptance of its responsibility to the public.
2. *The Public Interest.* Members should act to benefit the public interest, honor the public trust, and demonstrate commitment to professionalism. The AICPA adopted the ethical standards because a distinguishing mark of a profession is an acceptance of responsibility to the public.
3. *Integrity.* Members should perform all professional responsibilities with the highest sense of integrity to maintain public confidence.

4. *Objectivity and Independence.* A member should maintain objectivity and be free of conflicts of interest. A member in public practice should be independent in fact and appearance when providing attestation services. Objectivity is a state of mind, a quality that lends itself to a member's services. It is a distinguishing feature of the profession. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest.
5. *Due Care.* A member should follow the profession's technical and ethical standards, strive for improved competence and quality services, and discharge professional responsibility to the best of the member's ability. Members must adequately plan and supervise any activity for which they are responsible.
6. *Scope and Nature of Services.* A member in public practice should follow the Principles of the *Code of Professional Conduct* in determining the nature and scope of services.

Synopses of the Eleven Rules

Rule 101 — *Independence.* A member in public practice should be independent when performing professional services as required by standards-setting bodies.

- (1) In this context, rules of the state boards of accountancy, state CPA societies, the Independence Standards Board, the SEC, the General Accounting Office, and other bodies may be relevant.
- (2) Relevant AICPA standards-setting bodies are the Auditing Standards Board (ASB), Accounting and Review Services Committee, and Management Consulting Services Executive Committee. The foregoing bodies are all authorized to promulgate attestation standards.
- (3) The ASB issues Statements on Auditing Standards. Thus, SAS 1 is consistent with the requirement for auditors to maintain independence in mental attitude. To inspire public confidence, an auditor must not only be independent (intellectually honest) but also be recognized as independent (free of any obligation to, or interest in, the client).
- (4) The fourth general attestation standard likewise requires practitioners to maintain independence in mental attitude when performing attest engagements.
- (5) Under Statements on Standards for Accounting and Review Services, an accountant may not report on a review of the financial statements of a nonpublic entity if (s)he is not independent.
- (6) According to the AICPA's Statements on Standards for Attestation Engagements, a

practitioner must also be independent to examine or apply agreed-upon procedures to prospective financial statements.

(7) SEC independence regulations were revised in accordance with the Sarbanes-Oxley Act of 2002.

- (a) Audit committees must preapprove the services performed by accountants (permissible nonaudit services and all audit, review, and attest engagements). Approval must be either explicit or in accordance with detailed policies and procedures. If approval is by the latter, the audit committee must be informed, and no delegation of its authority to management is allowed. However, preapproval is not needed for nonaudit services representing less than 5% of the annual amount paid to the accountant if (1) the services were not recognized as nonaudit at the time of the engagement, and (2) the audit committee approves prior to completion of the audit.
- (b) An issuer must disclose in its proxy statement or annual filing fees paid to the accountant segregated into four categories: (1) audit, (2) audit-related, (3) tax, and (4) all other. The disclosure is for the two most recent years and must describe the services in (2)-(4).
- (c) The lead and concurring (reviewing) audit partners must rotate every 5 years, with a 5-year time-out period. Other audit partners must rotate every 7 years, with a 2-year time-out.
- (d) An accountant is not independent if, during the audit and the period of the professional engagement, any audit partner (excluding specialty partners such as tax partners) earns or receives compensation for selling services (excluding audit, review, or attest services) to the audit client.
- (e) Conflicts of interest. An accounting firm is not independent with respect to an audit client if a former partner, principal, shareholder, or professional employee accepts employment with a client if (s)he has a continuing financial interest in the firm or is in a position to influence the firm's operations or financial policies. Moreover, an accounting firm is not independent if a CEO, CFO, controller, or person in an equivalent position for an issuer was employed by that firm and participated in any capacity in the audit of that issuer during the year before the beginning of the audit.
- (f) Communications with the audit committee by the accounting firm must include (1) all critical accounting policies and practices; (2) all material alternative accounting policies and practices within GAAP that were discussed with management; and (3) other material written communications with management,

such as management representations and schedules of unadjusted audit differences. These communications must be prior to filing the audit report with the SEC.

Rule 102 — *Integrity and Objectivity.* A member shall maintain objectivity and integrity, be free of conflicts of interest, not knowingly misrepresent facts, and not subordinate his/her judgment to others when performing professional services.

Rule 201 — *General Standards.* A member shall comply with the following:

- (1) Undertake only those services that the member can reasonably expect to complete with professional competence.
- (2) Exercise due professional care when performing professional services.
- (3) Adequately plan and supervise performance of professional services.
- (4) Obtain sufficient relevant data to provide a reasonable basis for conclusions in relation to any professional service.
 - (a) Proficiency. Auditors must have adequate technical training and proficiency. According to SAS 1, both education and experience, as well as proper supervision, are necessary. Objectivity and independent judgment are necessary in the preparation of the audit opinion. An auditor must have experience and seasoned judgment to accept final responsibility for an audit opinion.
 - (b) Due professional care must be exercised in the planning and performance of the audit and the preparation of the report. According to SAS 1, an auditor should have the degree of skill commonly possessed by other auditors and must exercise it with reasonable care and diligence. An auditor should also exercise professional skepticism. The exercise of due professional care allows the auditor to obtain reasonable assurance. Absolute assurance is impracticable due to characteristics of fraud such as concealment by collusion, withheld or falsified documentation, or management override of controls.

Rule 202 — *Compliance with Standards.* A member who performs professional services must comply with promulgated standards.

Rule 203 — *Accounting Principles.* A member shall not express an opinion or make an affirmative statement about conformity with GAAP or state that (s)he is not aware of any material modifications that should be made to achieve conformity with GAAP, given any departure from an accounting principle promulgated by bodies designated by the AICPA Council to establish such principles that has a material effect on the financial statements or data

taken as a whole. However, if the member can demonstrate that, due to unusual circumstances, the financial statements or data would have been misleading without a departure from GAAP, the member can comply with the rule by describing the departure, its approximate effects, if practicable, and the reasons compliance with the principle would be misleading.

Rule 301 — *Confidential Client Information.* A member in public practice cannot disclose confidential client information without the client's consent. However, this Rule does not affect a CPA's obligations

- (1) To comply with a validly issued and enforceable subpoena or summons or with applicable laws and regulations
- (2) To discharge his/her professional obligations properly under Conduct Rules 202 and 203
- (3) To cooperate in a review of the CPA's professional practice under AICPA or state CPA society or board of accountancy authorization
- (4) To initiate a complaint with or respond to any inquiry made by the professional ethics division, trial board of the AICPA, or an investigative or disciplinary body of a state society or board of accountancy

Rule 302 — *Contingent Fees.* A contingent fee is established as part of an agreement under which the amount of the fee is dependent upon the finding or result.

- (1) The receipt of contingent fees by a member is prohibited when the member performs an audit, a review, a compilation when the report will be used by third parties and the report does not disclose the CPA's lack of independence, or an examination of prospective financial information.
- (2) A contingent fee is not permitted for preparing an original or amended tax return or claim.
- (3) Fees are not deemed to be contingent if fixed by courts or other public authorities, or in tax matters, if they are based on the results of judicial proceedings or the findings of governmental agencies.

Rule 501 — *Acts Discreditable.* A member shall not commit an act that is discreditable to the profession. Withholding as a result of nonpayment of fees for a completed engagement certain information contained in the client's books would not be considered such an act. The member's duty to return client records is absolute. However, the duty to return other information not related to the client's books and records is not absolute. Although the client's financial information may be incomplete as a result, if fees for a completed engagement have not been paid, such other information may be withheld. Thus, the duty to return is conditional upon

payment of fees with respect to information such as adjusting, closing, combining, or consolidating entries and information normally found in books of original entry and general or subsidiary ledgers.

Rule 502 — *Advertising and Other Forms of Solicitation*. A member in public practice shall not seek to obtain clients by advertising or other forms of solicitation done in a false, misleading, or deceptive manner. Solicitation through coercion, overreaching, or harassing conduct is prohibited.

Rule 503 — *Commissions and Referral Fees*. A member in public practice shall not accept a commission for recommending or referring to a client any product or service, or for recommending or referring any product or service to be supplied by a client, if the member performs for that client an audit, a review, a compilation when a third party will use the financial statement and the report does not disclose the CPA's lack of independence, or an examination of prospective financial information.

- (1) Permitted commissions must be disclosed to any person or entity to whom the member recommends a product or service.
- (2) A member who accepts a referral fee for recommending services of a CPA or who pays a referral fee to obtain a client must disclose the arrangement to the client. A referral fee is compensation for recommending or referring any service of a CPA to any person. Referral fees are not considered commissions.

Rule 505 — *Form of Organization and Name*. A member may practice public accounting only in a form of organization allowed by law or regulation that conforms with resolutions of the AICPA Council.

- 1) The firm name must not be misleading.
- 2) Names of past owners may be included in the name of the successor organization.
- 3) A firm cannot designate itself as "members of the AICPA" unless all CPA owners are members.

CONSULTING SERVICES PROHIBITED BY SARBANES-OXLEY ACT OF 2002

Title II of the Sarbanes-Oxley Act of 2002 prohibits most "consulting" services outside the scope of practice of auditors.

- (a) These services are prohibited even if pre-approved by the issuer's audit committee.

(b) Prohibited services include:

- Bookkeeping and related services,
- Design and implementation of financial information systems,
- Appraisal or valuation services (including fairness opinions and contribution-in-kind reports), (*Note:* The valuations relate to financial statement items and not valuations per se.)
- Actuarial services,
- Internal audit outsourcing, *Note:* “Operational” internal audits are allowed.
- Services that provide any management or human resources,
- Investment or broker/dealer services, and
- Legal and “expert services unrelated to the audit.”
- Any other service that the board determines, by regulation, is impermissible.

(c) Services Not Prohibited. Firms, however, may provide tax services (including tax planning and tax compliance) or others that are not listed, provided the firm receives pre-approval from the board. However, certain tax planning products, like tax avoidance services, may be considered prohibited nonaudit services.

DISCIPLINARY SYSTEMS WITHIN THE PROFESSION

1. The AICPA’s disciplinary mechanisms include the Professional Ethics Division and a joint trial board.

- a. The Professional Ethics Division investigates ethics violations. It imposes sanctions in less serious cases. For example, it may require an AICPA member to take additional CPE courses as a remedial measure.
- b. More serious infractions come before a joint trial board panel, which can acquit, admonish (censure), suspend, or expel a member. It may also take such other disciplinary, remedial, or corrective action as it deems to be appropriate. The *CPA Letter* publishes information about suspensions and expulsions.
 - 1) A decision of a trial board panel may be appealed to the full trial board. The determination of this body is conclusive.
 - 2) Upon the member’s exhaustion of legal appeals, automatic expulsion without a hearing results when a member has been convicted of, or has received an adverse judgment for,
 - a) Committing a felony
 - b) Willfully failing to file a tax return
 - c) Filing a fraudulent tax return on the member’s or a client’s behalf

- d) Aiding in preparing a fraudulent tax return for a client
- 3) Automatic expulsion also occurs when a member's CPA certificate is revoked by action of any governmental agency, e.g., a state board of accountancy.
- 4) Expulsion from the AICPA or a state society does not bar the individual from the practice of public accounting.
 - a) A valid state-issued license is required to practice.
 - b) Thus, violation of a state code of conduct promulgated by a board of accountancy is more serious than expulsion from the AICPA because it may result in revocation of the CPA certificate.

c. Joint Ethics Enforcement Program (JEEP)

- 1) The AICPA and most state societies have agreements that permit referral of an ethics complaint either to the AICPA or to a state society.
- 2) The AICPA handles matters of national concern, those involving two or more states, and those in litigation.
 - a) JEEP also promotes formal cooperation between the ethics committees of the AICPA and of the state societies.

2. The SEC, IRS, and PCAOB may also discipline accountants.

- a. The SEC may seek an injunction from a court to prohibit future violations of the securities laws. Moreover, under its Rule of Practice 2(e), the SEC may conduct administrative proceedings that are quasi-judicial.
 - 1) Pursuant to such proceedings, it may suspend or permanently revoke the right to practice before the SEC, including the right to sign any document filed by an SEC registrant, if the accountant
 - a) Does not have the qualifications to represent others
 - b) Lacks character or integrity
 - c) Has engaged in unethical or unprofessional conduct
 - d) Has willfully violated, or willfully aided and abetted the violation of, the

federal securities laws or their rules and regulations

- 2) Suspension by the SEC may also result from
 - a) Conviction of a felony, or a misdemeanor involving moral turpitude
 - b) Revocation or suspension of a license to practice
 - c) Being permanently enjoined from violation of the federal securities acts
 - 3) Some Rule 2(e) proceedings have prohibited not only individuals but also accounting firms from accepting SEC clients.
 - 4) Under the Securities Law Enforcement Act of 1990, the SEC may impose civil penalties in administrative proceedings of up to \$100,000 for a natural person and \$500,000 for any other person. Furthermore, the SEC may order a violator to account for and surrender any profits from wrongdoing and may issue cease-and-desist orders for violations.
- b. The IRS may prohibit an accountant from practicing before the IRS if the person is incompetent or disreputable or does not comply with tax rules and regulations.
- 1) The IRS may also impose fines.
- c. The PCAOB was established by the Sarbanes-Oxley Act of 2002.
- 1) A firm's registration application must contain information about a firm's quality control and a description of all actions pending against it. This information may have a great effect on enforcement actions and potential punishments. Moreover, the firm must give consent to cooperate with PCAOB investigations.
 - 2) The PCAOB has rule-making authority regarding quality control, ethics and auditing standards. These rules, especially those governing quality control, will have great relevance to enforcement actions.
 - 3) The PCAOB will inspect large firms annually and report violations to the SEC and state authorities. All attestation engagements, notably those in litigation, may be reviewed. The inspection also involves a quality control assessment. Furthermore, the inspection report must include the firm's response. The firm then has twelve months to correct the reported weaknesses.
 - 4) The PCAOB has substantially the same investigatory scope with respect to accountants as the SEC. The PCAOB may request that the SEC issue subpoenas to third parties, and it may deregister any uncooperative firm.

- 5) The PCAOB has no injunctive power, but it may institute administrative proceedings. It may seek disassociation of a person from a registered firm, suspension (temporary or permanent) of the firm's registration, or a penalty of up to \$15 million. The extreme cases in which the harshest penalties may be imposed include repeated instances of negligent misconduct. By contrast, the SEC may impose the severest punishments when the firm has engaged in just one instance of highly unreasonable conduct.
3. State boards of accountancy and state CPA societies also have codes of ethics and/or rules of conduct.
 - a. State boards are governmental agencies that license CPAs to use the designation "Certified Public Accountant" and prohibit non-CPAs from performing the attest function. They can suspend or revoke licensure through administrative process.
 - 1) Like the AICPA, state boards have trial boards to conduct administrative hearings.
 - b. State societies are voluntary, private organizations that can admonish, suspend, or expel members.

Note: A CPA may not claim to be endorsed by the Institute. A member may, however, state that (s)he is a member.

CHAPTER 3 WASHINGTON ETHICS

LEARNING OBJECTIVES:

After studying this chapter you will be able to:

1. Outline the professional ethics and conduct for Washington CPAs.
2. Summarize the ethical concepts promulgated in the Code of Professional Conduct and the Board rules and policies.

CHAPTER 4-25 WAC GENERAL PROVISIONS WAC SECTIONS

General Provisions

DEFINITIONS

4-25-400 What is the authority for and the purpose of the board's rules?

4-25-410 Definitions.

ADMINISTRATION OF THE BOARD

4-25-510 What is the board's meeting schedule and how are officers elected?

4-25-520 What public records does the board maintain?

4-25-521 How can I contact the board?

4-25-530 Fees.

4-25-540 What rules govern the proceedings before the board?

4-25-550 Do I need to notify the board if I change my address?

4-25-551 Must I respond to inquiries from the board?

ETHICS AND PROHIBITED PRACTICES

4-25-610 Which rules govern the conduct of CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners?

4-25-620 What are the requirements concerning integrity and objectivity?

4-25-622 When must a CPA or CPA firm be independent?

4-25-626 What restrictions govern commissions, referral, and contingent fees?

4-25-630 What are the requirements concerning competence?

4-25-631 With which rules, regulations and professional standards must a CPA, CPA-Inactive certificateholder, CPA firm, and firm owner comply?

4-25-640 What are the requirements concerning records and clients confidential information?

4-25-650 What acts are considered discreditable?

4-25-660 What are the limitations on advertising and other forms of solicitation?

4-25-661 What are the limitations regarding individual and firm names?

4-25-670 What enforcement actions must be reported to the board?

ENTRY AND RENEWAL REQUIREMENTS

4-25-710 What are the education requirements to qualify to apply for the CPA examination?

4-25-720 How do I apply to take the CPA examination?

4-25-721 What does the board consider to be cheating on the CPA examination, what actions may the board take if cheating is suspected, and what sanctions may the board impose if cheating occurs?

4-25-730 What are the experience requirements in order to obtain a CPA license?

4-25-735 How does a CPA-Inactive certificateholder apply for licensure?

4-25-745 How do I apply for an initial CPA license?

4-25-746 How do I apply for a Washington state CPA license if I hold a valid CPA license in another state?

4-25-750 What are the CPA firm licensing requirements?

4-25-752 How do I register to be a resident nonlicensee owner of a licensed firm and with which rules must a nonlicensee firm owner comply?

4-25-756 I am licensed in another state--How do I notify the board of my intent to enter the state in order to obtain practice privileges in the state of Washington?

4-25-781 What are the rules governing reciprocity for accountants from foreign countries?

4-25-782 How do I apply for an initial Washington state license through foreign reciprocity?

4-25-783 How do I renew a Washington CPA-Inactive certificate and/or license granted through foreign reciprocity?

4-25-790 How do I renew my individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner?

4-25-791 I am a CPA-Inactive certificateholder--Prior to July 1, 2001, I held a license--How do I apply to return to my previous status as a licensee?

4-25-792 How do I reinstate a lapsed individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner?

4-25-793 If I am retired, how do I apply to return to my previous status as a licensee or a CPA-Inactive certificateholder?

4-25-795 How do I reinstate a revoked or suspended license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner?

CONTINUING COMPETENCY

4-25-820 What are the requirements for participating in quality assurance review (QAR)?

4-25-830 What are the CPE requirements?

4-25-831 What are the program standards for CPE?

4-25-832 How do I report my CPE to the Board?

4-25-833 What documentation must I retain to support my eligibility for CPE credits?

REGULATION AND ENFORCEMENT

4-25-910 What are the bases for the board to impose discipline?

4-25-930 Does the board authorize the use of any other titles or designations?

Attention to Washington State CPAs: *Note the major differences between the AICPA Code and Washington rules and the points of emphasis are highlighted and placed in a box.*

WAC 4-25-400 What is the authority for and the purpose of the board's rules?

The Public Accountancy Act (Act), chapter 18.04 RCW, establishes the board as the licensing and disciplinary agency for certified public accountants (CPA), CPA-Inactive certificateholders, CPA firms, and owners of CPA firms. The Act authorizes the board to promulgate rules to carry out the purpose of the Act, which include:

- Protecting public interest;
- Enhancing the reliability of information;
- Providing general consumer protection information to the public

The Rules encompass:

- Definitions
- Administration of the board;
- Ethics and prohibited practices;
- Entry and renewal practices;
- Continuing competence;
- Regulation and enforcement.

The rules and regulations offer established guidelines so CPAs can determine the appropriate course of action regardless of the circumstances encountered. The Act provides rules and policies for the regulation and exercise of Due Professional Care and the Use of the Title CPA(s) or Certified Public Accountant(s) by individuals and firms and established rules that are critically important for the operation and conduct for individuals, firms and sole proprietorships.

NOTE:

1. The Firms, Individuals, and Sole Proprietorships must maintain a current address with the board in order to receive current advisory notices and updates of the rules and regulations. (WAC-25-400).

2. The Board rules/policies are presented later in the course.

THE POINT OF EMPHASIS:

The focus of the Public Accountancy Act and administrative provisions of the Act and Board rules. The purpose of the Act is (a) to promote the reliability of information used for decision making (b) to ensure that applicants for licensure are qualified and (c) licensees and CPA-Inactive certificate holders maintain their competency, perform competently

and responsibly during all periods during which their regulated status is active. Accordingly, **in the public's interest**, the Act regulates CPE, the exercise of Due Professional Care (compliance with Professional Standards) and the use of the Titles CPA(s) or Certified Public Accountant(s) by licensed individuals and firms and individuals registered as CPA-Inactive. **Therefore, it is critically important for individuals and firms, including sole proprietorships, to maintain a current understanding of the administrative provisions of the Act, e.g. required Board notifications. Otherwise advisory notices from the Board might not be received and/or rule changes made by the Board might not be recognized. Such oversights can result in undesirable consequences.**

WAC 4-25-410 Definitions. For purposes of these rules the following terms have the meanings indicated unless a different meaning is otherwise clearly provided in these rules:

(1) **"Act"** means the Public Accountancy Act codified as chapter [18.04](#) RCW.

(2) **"Active individual participant"** means a natural person whose primary occupation is at the firm or affiliated entity's business. An individual whose primary source of income from the business entity is provided as a result of passive investment is not an active individual participant.

(3) **"Affiliated entity"** means any entity, entities or persons that directly or indirectly through one or more relationships influences or controls, is influenced or controlled by, or is under common influence or control with other entities or persons. This definition includes, but is not limited to, parents, subsidiaries, investors or investees, coinvestors, dual employment or management in joint ventures or brother-sister entities.

(4) **"Applicant"** means an individual who has applied:

(a) To take the CPA exam;

(b) For a CPA license, a CPA firm license, registration as a resident nonlicensee owner, or practice privileges;

(c) To renew a CPA license, a CPA-Inactive certificate, a CPA firm license, or registration as a resident nonlicensee firm owner;

(d) To reinstate a CPA license, a CPA-Inactive certificate, or registration as a resident nonlicensee firm owner.

(5) **"Attest services"** are services performed by a licensee in accordance with:

(a) Statements on Auditing Standards and related Auditing Interpretations issued by the American Institute of Certified Public Accountants (AICPA);

(b) Statements on Standards for Accounting and Review Services and related Accounting and Review Services Interpretations issued by the AICPA;

(c) Statements on Standards for Attestation Engagements and related Attestation Engagements Interpretations issued by the AICPA; or

(d) Auditing standards issued by the Public Company Accounting Oversight Board (PCAOB).

(6) "**Audit**," "**review**," and "**compilation**" are terms reserved for use by licensees and individuals granted practice privileges under the act.

(7) "**Board**" means the board of accountancy created by RCW [18.04.035](#).

(8) "**Certificate**" means a certificate as a CPA-Inactive issued in the state of Washington prior to July 1, 2001, as authorized by the act, unless otherwise defined in rule.

(9) "**Certificateholder**" means the holder of a valid CPA-Inactive certificate where the individual is not a licensee and is prohibited from practicing public accounting.

(10) "**Client**" means the person or entity that retains a CPA firm, a CPA, the CPA's firm, or a firm owner, an affiliated entity, or the owner of an affiliated entity through other than an employer/employee relationship.

(11) "**Commissions and referral fees**" are compensation arrangements where:

(a) The primary contractual relationship for the product or service is not between the client and the CPA firm, the CPA, the CPA's firm, or a firm owner;

(b) The CPA firm, the CPA, the CPA's firm, or a firm owner is not primarily responsible to the client for the performance or reliability of the product or service;

(c) The CPA firm, the CPA, the CPA's firm, or a firm owner adds no significant value to the product or service; or

(d) A third party instead of the client pays the CPA firm, the CPA, the CPA's firm, or a firm owner for the products or services.

(12) "**Contingent fees**" are fees established for the performance of any service pursuant to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee is otherwise dependent upon the finding or result of such service.

(13) **"CPA"** or **"certified public accountant"** means a natural person holding a CPA license to practice public accounting recognized in the state of Washington, including a person granted practice privileges pursuant to RCW [18.04.350](#)(2).

(14) **"CPA-Inactive"** means a natural person holding a CPA-Inactive certificate recognized in the state of Washington. An individual holding a CPA-Inactive certificate is prohibited from practicing public accounting and may only use the CPA-Inactive title if they are not offering accounting, tax, tax consulting, management advisory, or similar services to the public.

(15) **"CPE"** means continuing professional education.

(16) **"Entering the state"** means an individual is practicing public accounting in the state of Washington and that individual spends more than ten percent of his or her total work hours on activities conducted within the state of Washington, maintains an office or workstation in the state of Washington or advertises to provide his or her services within the state of Washington.

(17) **"Firm"** means a sole proprietorship, a corporation, or a partnership. "Firm" also means a limited liability company formed under chapter [25.15](#) RCW.

(18) **"Generally accepted accounting principles"** (GAAP) is an accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of general application, but also detailed practices and procedures. Those conventions, rules, and procedures provide a standard by which to measure financial presentations.

(19) **"Generally accepted auditing standards"** (GAAS) are guidelines and procedures, promulgated by the AICPA, for conducting individual audits of historical financial statements.

(20) **"Holding out"** means any representation to the public by the use of restricted titles as set forth in RCW [18.04.345](#) by a person or firm that the person or firm holds a license or practice privileges under the act and that the person or firm offers to perform any professional services to the public as a licensee. "Holding out" shall not affect or limit a person or firm not required to hold a license under the act from engaging in practices identified in RCW [18.04.350](#).

(21) **"Inactive"** means the person held a valid certificate on June 30, 2001, has not met the current requirements of licensure and has been granted CPA-Inactive certificateholder status through the renewal process established by the board. A CPA-Inactive may not practice public accounting nor may the individual use the CPA-Inactive title if they are offering accounting, tax, tax consulting, management advisory, or similar services to the public.

(22) **"Independence"** means an absence of relationships that impair a licensee's impartiality and objectivity in rendering attest services.

(23) "**Interactive self-study program**" means a CPE program that provides feedback throughout the course.

(24) "**IRS**" means Internal Revenue Service.

(25) "**License**" means a license to practice public accountancy issued to an individual or a firm under the act.

(26) "**Licensee**" means an individual or firm holding a valid license to practice public accountancy issued under the act.

(27) "**Manager**" means a manager of a limited liability company licensed as a firm under the act.

(28) "**NASBA**" means the National Association of State Boards of Accountancy.

(29) "**Natural person**" means a living, human being.

(30) "**Nonlicensee owner**" means a CPA firm owner who is not licensed in any state to practice public accountancy.

(31) "**PCAOB**" means Public Company Accounting Oversight Board.

(32) "**Peer review**" means a study, appraisal, or review of one or more aspects of the attest work of a licensee or licensed firm in the practice of public accountancy, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed, including a peer review, or any internal review or inspection intended to comply with quality control policies and procedures, but not including the "quality assurance review" under RCW [18.04.025](#)(14).

(33) "**Practice privileges**" means an individual:

- .Has a principal place of business outside of Washington state;
- .Is licensed to practice public accounting in another state;
- .Has notified the board of intent to enter the state;
- .Meets the statutory criteria for a grant of privileges;
- .Is subject to discipline in the state of Washington; and

.Must comply with the act and all board rules applicable to Washington state licensees to retain the privilege.

(34) "**Principal place of business**" means a single fixed location designated by the individual from which the individual directs, controls, and coordinates the majority of his or her business activities.

(35) **"Public practice"** or the **"practice of public accounting"** means performing or offering to perform by a person or firm holding itself out to the public as a licensee, or as an individual holding practice privileges, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of "audit reports," "review reports," or "compilation reports" on financial statements, or one or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters. The "practice of public accounting" shall not include practices that are permitted under the provisions of RCW [18.04.350](#)(6) by persons or firms not required to be licensed under the act.

(36) **"Quality assurance review or QAR"** is the process, established by and conducted at the direction of the board, of study, appraisal, or review of one or more aspects of the attest work of a licensee or licensed firm in the practice of public accountancy, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed.

(37) **"Reciprocity"** means board recognition of licenses, permits, certificates or other public accounting credentials of another jurisdiction that the board will rely upon in full or partial satisfaction of licensing requirements.

(38) **"Referral fees"** see definition of "commissions and referral fees" in subsection (11) of this section.

(39) **"Reports on financial statements"** means any reports or opinions prepared by licensees, based on services performed in accordance with generally accepted auditing standards, standards for attestation engagements, or standards for accounting and review services, as to whether the presentation of information used for guidance in financial transactions or for accounting for or assessing the status or performance of an entity, whether public, private, or governmental, conforms with generally accepted accounting principles or other comprehensive bases of accounting. "Reports on financial statements" does not include services referenced in RCW [18.04.350](#)(6) provided by persons not holding a license under the act.

(40) **"Representing oneself"** for the purposes of RCW [18.04.295](#)(2) and WAC [4-25-910](#)(3), means having a license, practice privilege, certificate or registration that entitles the holder to use the title "CPA," "CPA-Inactive," or be a nonlicensee firm owner.

(41) **"Rules of professional conduct"** means rules adopted by the board to govern the conduct of CPAs and CPA firms while representing themselves to others as CPAs. These rules also govern the conduct of CPA-Inactive certificateholders, nonlicensee firm owners, and persons granted practice privileges pursuant to RCW [18.04.350](#)(2).

(42) **"SEC"** means the Securities and Exchange Commission.

(43) **"State"** includes the states and territories of the United States, including the District of Columbia, Puerto Rico, Guam, Northern Mariana Islands, and the United States Virgin Islands.

(44) **"Statements on auditing standards (SAS)"** are interpretations of the generally accepted auditing standards and are issued by the Auditing Standards Board of the AICPA. Licensees are required to adhere to these standards in the performance of audits of financial statements.

(45) **"Statements on standards for accounting and review services (SSARS)"** are standards, promulgated by the AICPA, to give guidance to licensees who are associated with the financial statements of nonpublic companies and issue compilation or review reports.

(46) **"Statements on standards for attestation engagements (SSAE)"** are guidelines, promulgated by the AICPA, for use by licensees in attesting to assertions involving matters other than historical financial statements and for which no other standards exist.

WAC 4-25-521 How can I contact the board? The board's administrative office, executive director and staff are located in Olympia, Washington. You may utilize the following numbers or addresses to contact the board:

- P.O. Box 9131, Olympia, Washington 98507-9131 (mailing address);
- 360/753-2586 (telephone);
- 360/664-9190 (fax);
- 800/833-6388 (TT service);
- 800/833-6385 (Telebraille services);
- webmaster@cpaboard.wa.gov (e-mail address); and
- www.cpaboard.wa.gov (website address).

WAC 4-25-530 Fees. The board shall charge various fees, but may waive late filing fees for individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment.

WAC 4-25-540 What rules govern the proceedings before the board? Except where they are inconsistent with the rules in this chapter and subject to additional rules that the board may adopt from time to time, practice and procedure in and before the board are governed by the uniform procedural rules codified in the Washington Administrative Code, chapter [10-08 WAC](#).

For certain types of decisions, the board has adopted an appeal process authorized by RCW 34.05.482 through 34.05.494 which is called a brief adjudicative proceeding. Decisions to which this appeal process will be applied are:

- (1) Denials of initial individual license applications, renewals, or applications for reinstatement;
- (2) Denials of CPA-Inactive certificate renewals or applications for reinstatement;
- (3) Denials of practice privilege;
- (4) Denials of initial resident nonlicensee firm owner registration applications, renewals, or applications for reinstatement;

- (5) Denials of initial firm license applications, renewals, and amendments;
 - (6) Denials of exam applications; and
 - (7) A determination whether a licensee, CPA-Inactive certificateholder, or registered nonlicensee firm owner has been certified by a lending agency and reported for nonpayment or default on a federally or state-guaranteed student loan or service conditional scholarship. To appeal a decision you must submit your request for a brief adjudicative proceeding, in writing, to the board within thirty days after the decision by board staff is posted in the U.S. mail. The presiding officer for the brief adjudicative proceedings is the executive director, or designee. After consulting with a board member, the executive director, or designee, renders a decision either upholding or overturning the decision by board staff. This decision, called an order, is mailed to you.
- If you are dissatisfied with the order in the brief adjudicative proceeding, you may appeal to the board's vice-chair, or designee. This appeal process is called an administrative review. Your appeal must be received by the board, orally or in writing, within twenty-one days after the brief adjudicative proceedings order is posted in the U.S. mail. The vice-chair, or designee, considers your appeal and either upholds or overturns the brief adjudicative proceeding order. The vice-chair's, or designee's, decision, also called an order, is mailed to you.

THE POINT OF EMPHASIS

The general objectives of Board Policy 2004-1, Sanction and Penalty Guidelines and brief Adjudicative Proceedings under WAC 4-25-540.

Board proceedings in lieu of full Board hearing under the Washington Administrative Procedures Act should be brought into focus to ensure that participants are aware of Board processes and the alternatives to issue resolution that are available to affected parties. The Executive Director directs the Board's complaint processes, investigative activities and, case resolution negotiations. Upon receiving a complaint or otherwise becoming aware of a situation or condition that might constitute a violation of the Public Accountancy Act (Act) or Board rules, the Executive Director will make a preliminary assessment.

WAC 4-25-550 Do I need to notify the board if I change my address? Yes. All CPAs, CPA-Inactive certificateholders, CPA firms licensed with the board, individuals registered with the board as resident nonlicensee firm owners, and applicants must notify the board in writing within thirty days of any change of address. Firms must notify the board of any opening, closing, or relocation of the main office or a branch office.

WAC 4-25-551 Must I respond to inquiries from the board? Yes. All CPAs, CPA-Inactive certificateholders, CPA firms licensed with the board, individuals registered with the board as resident nonlicensee firm owners, and applicants must respond, **in writing**, to board communications requesting a response. Your response must be made within **twenty days of the date** the board's communication is posted in the U.S. mail. Communications from the board to you are directed to the last address you furnished the board.

ETHICS AND PROHIBITED PRACTICES

WAC 4-25-610 Which rules govern the conduct of CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners? The rules that govern the conduct of CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners are as follows:

- (1) Professional judgment - In carrying out their responsibilities, a person representing oneself as a CPA, CPA-Inactive certificateholder, or using the CPA or CPA-Inactive title, CPA firms, and firm owners must exercise professional judgment in all their activities.
- (2) The public interest - A person representing oneself as a CPA, CPA-Inactive certificateholder, or using the CPA or CPA-Inactive title, CPA firms, and firm owners must accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism.
- (3) Integrity - To maintain and broaden public confidence a person representing oneself as a CPA, CPA-Inactive certificateholder, or using the CPA or CPA-Inactive title, CPA firms, and firm owners must perform all professional responsibilities with the highest sense of honesty.
- (4) Objectivity - Objectivity is to be maintained by a person representing oneself as a CPA, CPA-Inactive certificateholder, or using the CPA or CPA-Inactive title, CPA firms, and firm owners. Specifically, a person representing oneself as a CPA, CPA-Inactive, or using the CPA or CPA-Inactive title, CPA firms, and firm owners must:
 - (a) Avoid rendering professional services where actual or perceived conflicts of interest exist;
 - (b) Be independent in fact and appearance when providing attestation services.
- (5) Due care - A person representing oneself as a CPA, CPA-Inactive certificateholder, or using the CPA or CPA-Inactive title, CPA firms, and firm owners must comply with federal and state laws and the profession's technical and ethical standards, maintain competence and strive to improve the quality of services, and discharge professional responsibility to the best of the person's or the firm's ability.

WAC 4-25-620 What are the requirements concerning integrity and objectivity? When offering or performing services, CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners must:

- Remain honest and objective;
- Not misrepresent facts;
- Not subordinate their judgment to others; and
- Remain free of conflicts of interest unless such conflicts are specifically permitted by board rule or professional standards listed in [WAC 4-25-631](#).

If the language of the professional standards listed in WAC 4-25-631 differ from or conflict with specific board rules, board rules prevail.

WAC 4-25-622 When must a CPA or CPA firm be independent? When performing attest services, CPAs and CPA firms are responsible for maintaining independence so that attest opinions, reports, conclusions, and judgments will be impartial and viewed as impartial by parties expected to rely on the attest report. CPAs and CPA firms are required:

- To comply with all applicable independence rules, regulations, and the AICPA code of conduct as referenced in and required by [WAC 4-25-631](#); and
- To decline attest engagements where the CPA or CPA firm has a relationship that could* lead a reasonable and foreseeable user to conclude that the CPA or CPA firm is not independent.

Independence means an absence of relationships that impair a licensee's impartiality and objectivity in rendering attest services.

THE POINT OF EMPHASIS

What differentiates Independence determinations in Washington State from other guidance? Under Board rules WAC 4-25-410(22) and WAC 4-25-622, Independence means the absence of relationships that impair a licensee's impartiality and objectivity in rendering attest services. This differs from AICPA and GAO guidance in that this is not a rule based issue. The CPA must evaluate his or her objectivity and determine whether or not he or she is objective and impartial in addition to the perception of a reasonable and foreseeable user of the attest report. In other words, after consideration of AICPA and GAO guidance, the CPA must decline attest engagements where the CPA or firm decides whether the individual members of the firm or the firm have any relationship that could lead a reasonable and foreseeable user to conclude that the individual CPA or the CPA firms opinions, reports, conclusions, and judgments might be viewed as biased by parties expected to rely on any attestation report.

WAC 4-25-626 What restrictions govern commissions, referral, and contingent fees?

For the purposes of this section, the term "licensed firm" includes any affiliated entity(ies) and the term "firm owner" includes the owner(s) of any affiliated entity(ies).

(1) A CPA, CPA-Inactive certificateholder, a firm owner, or a licensed firm must not for a commission recommend or refer to a client any product or service, or for a commission recommend or refer any product or service to be supplied by a client, or receive a commission, when the CPA, CPA-Inactive certificateholder, the CPA's or CPA-Inactive certificateholder's firm, the owner's firm, or the firm performs attest services for that client. This prohibition applies during the period in which the CPA, CPA-Inactive certificateholder, the CPA's or CPA-Inactive certificateholder's firm, the owner's firm, or the firm is engaged to perform the attest services and the period covered by any historical financial statements involved in the attest services.

(2) A CPA, CPA-Inactive certificateholder, licensed firm, or firm owner who is not prohibited by this section from performing services for or receiving a commission and who is paid or expects to be paid a commission must disclose, consistent with the requirements set forth in subsection (7) of this section, that fact to any person or entity to whom the CPA, CPA-Inactive certificateholder, the CPA's or CPA-Inactive certificateholder's firm, the firm owner, the owner's firm, or the licensed firm recommends or refers a product or service to which the commission relates.

(3) A CPA, CPA-Inactive certificateholder, firm owner, or licensed firm accepting a referral fee for recommending or referring any services to any person or entity or who pays a referral fee to obtain a client must disclose, consistent with the requirements set forth in subsection (7) of this section, such acceptance or payment to the client.

(4) A CPA, CPA-Inactive certificateholder, firm owner, or licensed firm must not:

- (a) Perform for a contingent fee any professional services for, or receive such a fee from a client for whom the CPA, CPA-Inactive certificateholder, the CPA's or CPA-Inactive certificateholder's firm, the firm owner, the owner's firm, or the licensed firm performs attest services; or
- (b) Prepare an original or amended tax return or claim for a tax refund for a contingent fee for any client.

(5) The prohibition in subsection (4)(a) of this section applies during the period in which the CPA, CPA-Inactive certificateholder, the CPA's or CPA-Inactive certificateholder's firm, the owner's firm, or the licensed firm is engaged to perform the attest services and the period covered by any historical financial statements involved in the attest services.

(6) Fees are not considered contingent if fixed by courts or other public authorities, or, in tax matters, if determined based on the results of judicial proceedings or the findings of governmental agencies. Fees may vary depending, for example, on the complexity of services rendered.

(7) All CPAs, CPA-Inactive certificateholders, firm owners, and licensed firms who accept commission, referral and contingent fee arrangements must:

- (a) Disclose the arrangement in writing and in advance of client acceptance;
- (b) Disclose the method of calculating the fee or amount of fee;
- (c) Specify the CPA's, CPA-Inactive certificateholder's, or firm owner's role as the client's advisor; and
- (d) Obtain the client's consent to the fee arrangement in writing.

(8) Nothing in this rule shall be interpreted to preclude a CPA, CPA-Inactive certificateholder, firm owner, or licensed firm from purchasing, selling, or merging all or a portion of a CPA practice or to require disclosure to clients of terms or payments made or received pursuant to the purchase, sale, or merger.

THE POINT OF EMPHASIS

WAC 4-25-626 also covers **affiliated entities**, defined in WAC 4-25-410(3) and, if permitted, requires **written disclosures** in *advance of client acceptance* including **written client consent** to the **fee arrangement** under WAC 4-25-626(7).

WAC 4-25-630 What are the requirements concerning competence?

CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners must not undertake to perform any service as a CPA, CPA-Inactive certificateholder, CPA firm, or as a firm owner unless they can reasonably expect to complete the service with professional competence.

WAC 4-25-631 With which rules, regulations and professional standards must a CPA, CPA-Inactive certificateholder, CPA firm, and firm owner comply?

CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners must comply with rules, regulations, and professional standards promulgated by the appropriate bodies for each service undertaken. Such appropriate bodies include, but are not limited to, the Securities and Exchange Commission (SEC); the Public Company Accounting Oversight Board (PCAOB); the Financial Accounting Standards Board (FASB); the Governmental Accounting Standards Board (GASB); the Cost Accounting Standards Board (CASB); the Federal Accounting Standards Advisory Board (FASAB); the U.S. Government Accountability Office (GAO); the Federal Office of Management and Budget (OMB); the Internal Revenue Service (IRS); the American Institute of Certified Public Accountants (AICPA), and federal, state, and local audit, regulatory and tax agencies.

NOTE: However, if the requirements found in the professional standards listed in this section differs from the requirements found in specific board rules, board rules prevail.

Such standards include:

- (1) Statements on Auditing Standards and related Auditing Interpretations issued by the AICPA;
- (2) Statements on Standards for Accounting and Review Services and related Accounting and Review Services Interpretations issued by the AICPA;
- (3) Statements on Governmental Accounting and Financial Reporting Standards issued by GASB;
- (4) Statements on Standards for Attestation Engagements and related Attestation Engagements Interpretations issued by AICPA;

(5) Statements of Financial Accounting Standards and Interpretations, and Staff Positions issued by FASB, together with those Accounting Research Bulletins and Accounting Principles Board Opinions which are not superseded by action of the FASB;

(6) Statement on Standards for Consulting Services issued by the AICPA;

(7) Statements on Quality Control Standards issued by the AICPA;

(8) Statements on Standards for Tax Services and Interpretation of Statements on Standards for Tax Services issued by the AICPA;

(9) Statements on Responsibilities in Personal Financial Planning Practice issued by the AICPA;

(10) Statements on Standards for Litigation Services issued by the AICPA;

(11) Professional Code of Conduct issued by the AICPA including interpretations and ethics rulings;

(12) Governmental Auditing Standards issued by the U.S. Government Accountability Office;

(13) AICPA Industry Audit and Accounting Guides;

(14) SEC Rules, Concept Releases, Interpretative Releases, and Policy Statements;

(15) Standards issued by the PCAOB; and

(16) IRS Circular 230. If the professional services are governed by standards not included in subsections (1) through (16) of this section, you must:

- Justify the departure from the standards listed in subsections (1) through (16) of this section;
- Determine what standards are applicable; and
- Comply with the applicable standards.

Copies of the above standards may be inspected at the board's office.

WAC 4-25-640 What are the requirements concerning records and clients confidential information?

(1) Client: The term "client" as used throughout this section includes former and current clients. For purposes of this section, a client relationship has been formed when confidential information has been disclosed by a prospective client in an initial interview to obtain or provide professional services.

(2) Property of the licensee: In the absence of an express agreement between the licensee and the client to the contrary, all statements, records, schedules, working papers, and memoranda made by a licensee incident to or in the course of professional service to clients, except reports submitted by a licensee, are the property of the licensee.

(3) Sale or transfer of client records: No statement, record, schedule, working paper, or memorandum, including electronic records, may be sold, transferred, or bequeathed without the consent of the client or his or her personal representative or assignee, to anyone other than one or more surviving partners, shareholders, or new partners or new shareholders of the licensee, partnership, limited liability company, or corporation, or any combined or merged partnership, limited liability company, or corporation, or successor in interest.

(4) Confidential client communication or information: A licensee, CPA-Inactive certificateholder, firm owner, or employee of a licensee must not without the consent of the client or the heirs, successors or personal representatives of the client disclose any confidential communication or information pertaining to the client obtained in the course of performing professional services.

This rule does not:

- (a) Affect in any way a licensee's, CPA-Inactive certificateholder's, firm owner's, or employee of a licensee's obligation to comply with a lawfully issued subpoena or summons;
- (b) Prohibit disclosures in the course of a quality review of a licensee's attest services;
- (c) Preclude a licensee, CPA-Inactive certificateholder, firm owner, or employee of a licensee from responding to any inquiry made by the board or any investigative or disciplinary body established by law or formally recognized by the board. However, a licensee, CPA-Inactive certificateholder, firm owner, or employee of a licensee must not disclose or use to their own advantage any confidential client information that comes to their attention in carrying out their official responsibilities; or
- (d) Preclude a review of client information in conjunction with a prospective purchase, sale, or merger of all or part of a CPA's practice.

(5) Client records: Licensees, CPA-Inactive certificateholders, and firm owners must furnish to their client or heirs, successors or personal representatives, upon request and reasonable notice:

- (a) A copy of the licensee's, CPA-Inactive certificateholder's or firm owner's records, schedules, and electronic documents, to the extent that such records and schedules would ordinarily constitute part of the client's records and are not otherwise available to the client; and*
- b) Any accounting or other records belonging to, or obtained from or on behalf of, the client, that the licensee, CPA-Inactive certificateholder, or firm owner removed from the client's*

premises or received for the client's account, including electronic documents; but the licensee, CPA-Inactive certificateholder, or firm owner may make and retain copies of such documents of the client when they form the basis for work done by the licensee, CPA-Inactive certificateholder, or firm owner.

Licensees, CPA-Inactive certificateholders, and firm owners must not refuse to return client records, including electronic documents, pending client payment of outstanding fees.

(6) Audit and review record retention requirements: For a period of seven years after a licensee concludes an audit or review the licensee must retain the following records and documents, including electronic records unless hard copies of such exist:

- (a) Records forming the basis of the audit or review;*
- (b) Records documenting audit or review procedures applied;*
- (c) Records documenting evidence obtained including financial data, analyses, conclusions, and opinions related to the audit or review engagement; and*
- (d) Records documenting conclusions reached by the licensee in the audit or review engagement.*

WAC 4-25-650 What acts are considered discreditable?

CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners must not:

- Commit, or allow others to commit in their name, any act that reflects adversely on their fitness to represent themselves as a CPA, CPA-Inactive certificateholder, CPA firm, or a firm owner;
- Seek to obtain clients by the use of coercion, intimidation or harassing conduct; or
- Permit others to carry out on their behalf, either with or without compensation, acts which violate the rules of conduct.

WAC 4-25-660 What are the limitations on advertising and other forms of solicitation?

(1) CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners must not make false, fraudulent, misleading, deceptive or unfair statements or claims regarding their services.

Examples of such statements or claims include, but are not limited to, statements or claims which:

- (a) Contain a misrepresentation of fact;
- (b) Fail to make full disclosure of relevant facts;
- (c) Imply your professional services are of an exceptional quality, which is not supported by verifiable facts;
- (d) Create false expectations of favorable results;
- (e) Imply educational or professional attainments, specialty designations, or licensing recognition not supported in fact; or

(f) Represent that professional services will be performed for a stated fee when this is not the case, or do not disclose variables that may reasonably be expected to affect the fees that will be charged.

(2) If you are a licensee using the CPA title to perform or solicit services via a website, you must either include a statement on the website that you hold a current Washington state license or provide a name and contact information for an individual in your organization who will respond to inquiries regarding individual license information within seven business days. The required information must be clearly visible and prominently displayed.

(3) If you are a CPA-Inactive certificateholder using the CPA-Inactive title to perform or solicit services via a website you must clearly, visibly, and prominently display the following on the website:

(a) That you hold a current Washington state CPA-Inactive certificate;
(b) That you do not hold a license to practice public accounting; and
(c) That Washington state law does not allow a CPA-Inactive certificateholder to offer or provide accounting, auditing, attest, reports on financial statements, tax preparation or advisory, management advisory, consulting or similar services to the public in association with the use of the title "CPA," "Certified Public Accountant," "CPA-Inactive," or "Certified Public Accountant-Inactive."

(4) If you are a resident nonlicensee owner of a firm licensed by the board and you perform or solicit services in association with the firm via a website, you must clearly, visibly, and prominently display a statement that you are a nonlicensee owner registered with the Washington state board of accountancy or provide a name and contact information for an individual in your organization who will respond to inquiries regarding registration information within seven business days.

WAC 4-25-661 **What are the limitations regarding individual and firm names?** A firm name that does not consist of the name(s) of one or more present or former owners must be approved in advance by the board as not being deceptive or misleading.

Misleading or deceptive firm names are prohibited. The following are examples of misleading firm names. The board does not intend this listing to be all inclusive. The firm name:

- (1) Implies it is a legal entity when it is not such an entity (as by the use of the designations "P.C.," "P.S.," "Inc. P.S.," or "L.L.C.");
- (2) Implies the existence of a partnership when one does not exist;
- (3) Includes the name of a person who is neither a present nor a past owner of the firm; or
- (4) Implies educational or professional attainments, specialty designations, or licensing recognition not supported in fact.

A licensee may not operate under an alias, a firm name, title, or "DBA" that differs from the firm name that is registered with the board. A CPA or a CPA-Inactive certificateholder may not use the title in association with a name that is not registered with the board.

WAC 4-25-670 What enforcement actions must be reported to the board?

- (1) A licensee, CPA-Inactive certificateholder, or nonlicensee firm owner must notify the board, on a form and in the manner prescribed by board policy, within thirty days of the issuance of:
- (a) A sanction, order, suspension, revocation, or modification of a license, certificate, permit or practice rights by the SEC, PCAOB, IRS, or another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy; or
 - (b) Charges filed by the SEC, IRS, PCAOB, another state board of accountancy, or a federal or state taxing, insurance or securities regulatory body that the licensee, CPA-Inactive certificateholder, or nonlicensee firm owner committed a prohibited act that would be a violation of board ethical or technical standards.
- (2) Sole practitioners are to report action pursuant to subsection (1) of this section taken against the sole practitioner, the sole practitioner's individual CPA license, the CPA firm, or the CPA firm license.
- (3) Licensed CPA firms are not required to report on action taken against owners, principals, partners, or employees.
- (4) If you hold a license or CPA-Inactive certificate issued through the foreign reciprocity provisions of the act, you must notify the board of any investigations undertaken, or sanctions imposed, by a foreign credentialing body against your foreign credential within thirty days of your receiving notice that an investigation has begun or a sanction was imposed.

ENTRY REQUIREMENTS

WAC 4-25-750 What are the CPA firm licensing requirements?

With the exception of out-of-state sole practicing CPAs holding valid practice privileges in Washington state under WAC 4-25-756, attest services may only be offered or performed in a CPA firm licensed by the board and meeting the requirements of this section. An entity wishing to use "CPA(s)" or "certified public accountant(s)" in the firm name must first obtain a license from the board.

(1) How may a CPA firm be organized? A CPA firm may be organized as:

(a) A proprietorship;

(b) A partnership;

(c) A professional corporation (PC) or professional service corporation (PS);

(d) A limited liability company (LLC);

(e) A limited liability partnership (LLP); or

(f) Any other form of legal entity authorized by statute for use by a CPA firm.

(2) What happens when a CPA firm alters its legal form? *A change in the legal form of a firm constitutes a new firm. Accordingly, the new entity must first obtain a CPA firm license from the board.*

(3) What are the ownership requirements for a CPA firm?

(a) All owners of a licensed CPA firm are required to:

(i) Be natural persons;

(ii) Fully comply with the provisions of chapter 18.04 RCW; and

(iii) Subject to discipline by the board for violations of chapter 18.04 RCW or 4-25 WAC;

(b) A simple majority of the ownership of the licensed firm in terms of financial interests and voting rights of all partners, owners, or shareholders must be:

(i) Licensees in this state or holders of a valid license to practice public accountancy issued by another state;

(ii) Entitled to practice public accounting in Washington state; and

(iii) Principally employed by the corporation or actively engaged in its business.

(c) At least one general partner of a partnership, one shareholder of a corporation, and one manager of a limited liability company must be a licensee.

(d) Each CPA proprietor, partner, shareholder or manager who is either a resident or is entering the state and practicing public accountancy in this state must hold a valid Washington state license or practice privileges.

(e) The principal partner of the partnership and any partner having authority over issuing reports on financial statements must be a licensee under the act or holder of a valid license to practice public accountancy issued by another state and must be entitled to practice public accounting in this state.

(f) The principal officer of the corporation and any officer or director having authority over issuing reports on financial statements must be a licensee under the act or holder of a valid license to practice public accountancy issued by another state and must be entitled to practice public accountancy in this state.

(g) The principal manager or member of a limited liability company and any member having authority over issuing reports on financial statements must be a licensee under the act or holder of a valid license to practice public accountancy issued by another state and must be entitled to practice public accountancy in this state.

(h) A nonresident CPA owner must be licensed to practice public accountancy in at least one state.

(i) A nonlicensee owner must:

(i) Be a natural person;

(ii) Meet the good character requirements of RCW 18.04.105(1)(a);

(iii) Comply with the act and board rules; and

(iv) Be an active individual participant in the licensed firm or affiliated entities as these terms are defined in WAC 4-25-410; and

(j) A resident nonlicensee firm owner must meet the requirements of WAC 4-25-752 and register with the board concurrent with submission of the firm license, or submission of an amendment to the firm license, to the board.

(4) What are the requirements for the firm's main office and a branch office? *The firm's main office must be under the direct supervision of a resident licensee.*

A branch office is an office of a licensed CPA firm which is physically separated from the main office. A branch office operates under the CPA firm license of the main office.

(5) How do I apply for an initial CPA firm license? *To apply for an initial CPA firm license you must use the application form(s) provided by the board and submit the completed form(s), all applicable fees, all required documentation including the following to the board's office:*

(a) The firm name;

(b) Address and telephone number of the main office and any branch offices of the firm;

(c) Name of the managing licensee of the main office;

(d) Licensee owners' names and the states in which they hold CPA licenses;

(e) Name(s) of all nonlicensee owners;

(f) Complete registration form(s), including the appropriate fee, for each resident nonlicensee owner; and

(g) Type of legal organization under which the firm operates.

An application is not complete and cannot be processed until all fees, required information, and required documentation is received by the board. Upon completion of processing, a CPA firm license will be mailed to the main office at the last address provided to the board.

The initial CPA firm license will expire on June 30 of the third calendar year following initial licensure.

*(6) **How do I renew a CPA firm license?** To renew a CPA firm license you must use the form(s) provided by the board. In January of the year of expiration, a renewal form(s) will be mailed to the main office at the last address provided to the board. You must submit a properly completed renewal form(s), all applicable fees and all required documentation to the board by April 30th of the year of expiration. Failure to file a complete renewal form for a firm license by April 30 of the year of expiration will result in late fees. The board may waive, reduce, or extend the due date of renewal and/or late fees based on individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment. A renewal application is not complete and cannot be processed until all fees, required information, and required documentation is received by the board. Upon completion of processing, the CPA firm license will be mailed to the main office at the last address provided to the board.*

The CPA firm license will expire on June 30 of the third calendar year following the date of renewal.

*(7) **When must I notify the board of changes in the CPA firm?** A CPA firm must provide the board written notification of the following within ninety days of its occurrence:*

(a) Dissolution of a CPA firm;

(b) The occurrence of any event that would cause the firm to be in violation of RCW 18.04.195 or this rule; or

(c) An event that requires an amendment to a firm license.

*(8) **What events require a firm amendment?** A CPA firm must provide written notification to the board, by submitting a firm amendment form and the appropriate amendment fee, within ninety days of the following events' occurrence:*

- (a) Admission or departure of an owner;*
- (b) Any change in the name of the firm; or*
- (c) Change in the managing licensee of the main office.*

*(9) **How long do I have to correct noncompliance with licensure requirements due to a change in ownership or an owner's credentials?** A CPA firm must notify the board within ninety days of any change in ownership or lapse of an owner's license, certificate, registration or practice privilege that has caused the firm's license to be out of compliance with licensure requirements and must correct the noncompliance within ninety days of the lapse, unless the board grants a longer time period due to individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment.*

RCW 18.04.305 Actions against firm license.

The board may revoke, suspend, or refuse to renew the license issued to a firm if at any time the firm does not meet the requirements of this chapter for licensing, or for any of the causes enumerated in [RCW 18.04.295](#), or for any of the following additional causes:

- (1) The revocation or suspension of the sole-practitioner's license or the revocation or suspension or refusal to renew the license of any partner, manager, member, or shareholder;*
- (2) The revocation, suspension, or refusal to renew the license of the firm, or any partner, manager, member, or shareholder thereof, to practice public accounting in any other state or foreign jurisdiction for any cause other than failure to pay a fee or to meet the CPE requirements of the other state or foreign jurisdiction;*
- (3) Failure by a nonlicensee owner of a licensed firm to comply with the requirements of this chapter or board rule; or*
- (4) Failure of the firm to comply with the requirements of this chapter or board rule.*

CONTINUING COMPETENCY

WAC 4-25-820 What are the requirements for participating in quality assurance review (QAR)?

(1) Purpose. The Washington state board of accountancy is charged with protection of the public interest and ensuring the integrity of financial information as it relates to the licensure of CPAs

and CPA firms. The purpose of the QAR program is to monitor licensees' compliance with attest standards.

(2) Structure and implementation.

(a) The board will annually appoint a quality assurance review committee to perform the following functions:

- (i) Review of financial statements and the reports of licensees thereon to assess their compliance with applicable professional standards;
- (ii) Improvement of reporting practices of licensees through education and rehabilitative measures;
- (iii) Referral of cases requiring further investigation to the board; and
- (iv) Such other functions as the board may assign to the committee.

(b) Once every three years the board will require each licensed firm to participate in the board's quality assurance review program. Participating firms will be notified by the board in January of the reporting requirement, and participating firms will be required to submit a quality assurance review status form, along with the appropriate fee, by the following April 30th. Failure to submit a complete quality assurance review status form postmarked by the April 30th due date, will result in the assessment of late fees. The board may waive late fees based on individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment.

(c) Each participating firm shall submit, for each of its offices, a compilation report, a review report, and an audit report. A firm shall select these reports from all reports prepared during the twelve months preceding the date of board request or, if no reports have been issued within the last twelve months, from all reports during the preceding three years.

If reports issued by all offices of a firm are reviewed and issued in a controlled, centralized process, only one of each of the reports specified above need be submitted by the firm as a whole.

(d) The board may exempt from the requirement of (c) of this subsection any firm which has participated in a board-approved peer review program within the three years immediately preceding the date of board request. Firms requesting exemption must submit a copy of an unmodified report, letter of comments, response to letter of comments, if applicable, and letter of acceptance from the reviewing organization. Firms that receive modified peer review reports may request exemption, but must submit copies of such reports and related correspondence, at the discretion of the board, for consideration on an individual basis.

(e) Any documents submitted in accordance with (c) of this subsection may have the name of the client, the client's address, and other identifying factors omitted, provided that the omission does not render the type or nature of the entity undeterminable. Dates may not be omitted.

(f) Reports submitted to the committee pursuant to (c) of this subsection and comments of reviewers, the committee and the board on such reports or workpapers relating thereto, shall also be preserved in confidence except to the extent that they are communicated by the board to the

licensees who issued the reports or disclosure is required under administrative procedure rules or by direction of a court of law.

(g) The committee's review of financial statements and reports of the licensees thereon shall be directed toward the following:

- (i) Presentation of financial statements in conformity with generally accepted accounting principles or other comprehensive basis of accounting, if applicable;
- (ii) Compliance by licensees with generally accepted auditing standards;
- (iii) Compliance by licensees with other professional standards; and
- (iv) Compliance by licensees with the rules of the board and other regulations relating to the practice of public accounting.

(h) If the board determines that a report referred to the board by the committee is substandard or seriously questionable with respect to applicable professional standards, the board may take one or more of the following actions:

- (i) Send the licensee a letter of comment detailing the perceived deficiencies and require the licensee to develop quality control procedures to ensure that similar occurrences will not occur in the future;
- (ii) Require any licensee who had responsibility for issuance of a report, or who substantially participated in preparation of the report and/or related workpapers, to successfully complete specific courses or types of continuing education as specified by the board;
- (iii) Require that the licensee responsible for a substandard report submit all or specified categories of its reports to a preissuance review in a manner and for a duration prescribed by the board. The cost of the preissuance review will be at the firm's expense;
- (iv) Require the licensee responsible for a substandard report to submit to a peer review conducted in accordance with standards acceptable to the board. The cost of the peer review will be at the licensee's expense;
- (v) Require the licensee responsible for substandard work to submit to on-site field review or other investigative procedures of work product and practices by board representatives in order to assess the degree or pervasiveness of substandard work. The board may assess the costs of such field review or procedures to the licensee if the results of such investigative efforts substantiate the existence of substandard work product;
- (vi) Initiate an investigation pursuant to RCW [18.04.295](#), [18.04.305](#), and/or [18.04.320](#).

(i) The board may solicit and review financial statements and related reports of licensees from clients, public agencies, banks, and other users of financial statements. In gathering information about the attest work of licensees, the board may make use of investigators.

NOTE:

*1. The Board has approved **System Reviews and Engagement Reviews of the AICPA Peer Review Program** as meeting the requirements of WAC 4-25-820. This program is administered in Washington State by the Washington Society of CPA's (WSCPA).*

2. The Board does not accept the Report Review level of the AICPA's Peer Review Program. Report Reviews do not conclude with a ranking of the firm's work, and, as a result, there is no basis for the Board to make a decision on whether they can rely on the Report Review.

3. Effective with peer reviews commencing after January 1, 2003, the Board will not accept a peer review unless the peer review scope includes a review of the firm's Washington practice, or the report includes a detailed description of the peer review activities performed on the Washington practice. This requirement can be accomplished by way of a peer review addendum or letter from the peer reviewer confirming that the scope and engagement design was sufficient to ensure the conclusion of the peer review applies to the Washington practice. If a peer review does not meet this requirement, the firm must participate in the Board's QAR program. This requirement does not apply to an out-of-state firm newly licensed in Washington State and participating in its first scheduled QAR cycle.

WAC 4-25-830 What are the CPE requirements?

(1) The following CPE is required during the three calendar year period prior to renewal:

- (a) CPAs must complete 120 CPE credit hours which is limited to 24 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics meeting the requirements of subsection (3) of this section;
- (b) A CPA-Inactive certificateholder or a resident nonlicensee firm owner must complete 4 CPE credit hours in ethics meeting the requirements of subsection (3) of this section; and
- (c) Individuals holding practice privileges are exempt from the CPE requirements of this section.

(2) CPE requirements for renewal of a license that was issued less than three years before the end of a CPA-Inactive certificate renewal cycle: When you convert your status from a CPA-Inactive certificateholder to a licensee, your CPE reporting period (the three calendar year period prior to renewal) and renewal cycle will remain the same. The CPE requirements for renewal are as follows:

- (a) If your license was issued during the first calendar year of your CPE reporting period, you must have completed 80 CPE credit hours which is limited to 16 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics meeting the requirements of subsection (3) of this section.
- (b) If your license was issued during the second calendar year of your CPE reporting period, you must have completed 40 CPE credit hours which is limited to 8 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics meeting the requirements of subsection (3) of this section.
- (c) If your license was issued during the third calendar year of your CPE reporting period, you must have completed 4 CPE credit hours in ethics meeting the requirements of subsection (3) of this section.

(3) Ethics and regulations applicable to practice in Washington state: During each CPE reporting period all CPAs, CPA-Inactive certificateholders, and resident nonlicensee firm owners are required to complete four CPE credit hours in professional ethics and regulations with specific application to the practice of public accounting in Washington state; however, for CPE reporting periods beginning January 1, 2006, and later, during each CPE reporting period all CPAs, CPA-Inactive certificateholders, and resident nonlicensee firm owners are required to complete four hours in board approved ethics and regulations CPE. In order to be approved by the board, the CPE sponsor or instructor must submit documentation associated with the ethics and regulations CPE to the board for approval and the sponsor or instructor must obtain written approval from the board. The ethics and regulations CPE must cover all of the following topics, and the ethics and regulations CPE must substantially address these topics:

- (a) Chapter 18.04 RCW and chapter 4-25 WAC. The CPE must include general level information on the Public Accountancy Act, the board's rules, policies, and the rule-making process.
- (b) WAC 4-25-521 How can I contact the board?
- (c) WAC 4-25-550 Do I need to notify the board if I change my address?
- (d) WAC 4-25-551 Must I respond to inquiries from the board?
- (e) WAC 4-25-600 Series -- Ethics and prohibited practices. The CPE must include detailed information on each rule and all related board policies.
- (f) WAC 4-25-800 Series -- Continuing competency. The CPE must include detailed information on each rule and all related board policies.
- (g) WAC 4-25-910 What are the bases for the board to impose discipline?
- (h) AICPA Code of Conduct: The CPE must include general level information on the AICPA Code of Conduct.
- (i) Variances or key differences between Washington state law (chapter 18.04 RCW and chapter 4-25 WAC) and the AICPA Code of Conduct.
- (j) Other topics or information as defined by board policy.

(4) CPE requirements to renew a retired license or CPA-Inactive certificate:

- (a) In order to renew your retired license you must meet the CPE requirements of subsection (1)(a) of this section within the thirty-six month period immediately preceding the date the renewal application is received by the board; however, the four CPE hours in ethics meeting the requirements of subsection (3) of this section must be completed within the six-month period immediately preceding the date your renewal application was received by the board.
- (b) In order to renew your retired CPA-Inactive certificate, you must meet the CPE requirements of subsection (1)(b) of this section within the six-month period immediately preceding the date your renewal application was received by the board.

(5) CPE requirements for a CPA-Inactive certificateholder to either qualify to apply for a license or return to their previously held status as a licensee: If you hold a valid CPA-Inactive certificate and you wish to apply for a license or you want to return to your previously held status as a licensee, you must meet the CPE requirements of subsection (1)(a) of this section

within the thirty-six month period immediately preceding the date your application is received by the board.

(6) Reinstatement of a lapsed, suspended, or revoked license, certificate, or registration as resident nonlicensee firm owner:

(a) If you seek to reinstate a lapsed, suspended, or revoked license, you must satisfy the requirements of subsection (1)(a) of this section within the thirty-six month period immediately preceding the date the application for reinstatement was received by the board; however, the four CPE hours in ethics meeting the requirements of subsection (3) of this section must be completed within the six-month period immediately preceding the date your application for reinstatement was received by the board.

(b) If you seek to reinstate a lapsed, suspended, or revoked CPA-Inactive certificate, or registration as a resident nonlicensee firm owner, you must satisfy the requirements of subsection (1)(b) of this section within the six-month period immediately preceding the date your application for reinstatement was received by the board.

(7) Reciprocity: If you are applying for an initial Washington state CPA license under the reciprocity provisions of the act, you must satisfy the requirements in subsection (1)(a) of this section within the thirty-six month period immediately preceding the date your application was received by the board. For purposes of initial licensure, you do not need to satisfy the ethics requirements of subsection (1)(a) of this section. Thereafter, in order to renew your Washington state license, you must comply with all the renewal requirements in subsection (1)(a) of this section.

(8) CPE waiver request: In order to renew your license, CPA-Inactive certificate, or registration as a nonlicensee firm owner you must complete the required CPE by the end of the CPE reporting period preceding your renewal unless you can demonstrate your failure to meet the CPE requirements was due to reasonable cause. The board may provide limited extensions to the CPE requirements for reasons of individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment. You must request such an extension in writing on the form(s) provided by the board. The request must include justification for the request and identify the specific CPE you plan to obtain to correct your CPE deficiency.

WAC 4-25-831 What are the program standards for CPE?

(1) Qualifying program: A program qualifies as acceptable CPE for purposes of [RCW 18.04.215\(5\)](#) if it is a formal program of learning which contributes to the CPA's professional knowledge and competence. A formal program means:

- The program is at least fifty minutes in length;
- Attendance is recorded;
- Participants sign in to confirm attendance and, if the program is greater than four credit hours, participants sign out during the last hour of the program; and
- Attendees are provided a certificate of completion.

(2) **Undergraduate and graduate courses:** A graduate or undergraduate course qualifies for CPE credit if it meets the standards in subsections (1) and (5) of this section. For both undergraduate and graduate courses one quarter credit equals 10 CPE credit hours and one semester credit equals 15 CPE credit hours.

(3) **Committee meetings:** Generally, CPE credit is not allowed for attending committee meetings. A meeting qualifies for CPE credit only if it meets the standards in subsections (1) and (5) of this section.

(4) **CPE credit hours for volunteer service on the board and its committees and volunteer service on board approved peer review committees:** You may receive up to thirty-two hours of technical CPE credit each calendar year for actual time spent on board, board committee, or board approved peer review committee activities.

(5) **Subject areas:** Programs dealing with the following general subject areas are acceptable so long as they meet the standards in subsection (1) of this section:

(a) **Technical subjects include:**

- (i) Auditing standards or procedures;
- (ii) Compilation and review of financial statements;
- (iii) Financial statement preparation and disclosures;
- (iv) Attestation standards and procedures;
- (v) Projection and forecast standards or procedures;
- (vi) Accounting and auditing;
- (vii) Management advisory services;
- (viii) Personal financial planning;
- (ix) Taxation;
- (x) Management information services;
- (xi) Budgeting and cost analysis;
- (xii) Asset management;
- (xiii) Professional ethics (other than those programs used to satisfy the requirements of [WAC 4-25-830\(3\)](#));
- (xiv) Specialized areas of industry;
- (xv) Human resource management;
- (xvi) Economics;
- (xvii) Business law;
- (xviii) Mathematics, statistics, and quantitative applications in business;
- (xix) Business management and organization;
- (xx) General computer skills, computer software training, information technology planning and management; and
- (xxi) Negotiation or dispute resolution courses;

(b) **Nontechnical subjects include:**

- (i) Communication skills;

- (ii) Interpersonal management skills;
- (iii) Leadership and personal development skills;
- (iv) Client and public relations;
- (v) Practice development;
- (vi) Motivational and behavioral courses; and
- (vii) Speed reading and memory building.

Subjects other than those listed above may be acceptable provided you can demonstrate they contribute to your professional competence. You are solely responsible for demonstrating that a particular program is acceptable.

(6) Group programs: You may claim CPE credit for group programs such as the following so long as the program meets the standards in subsections (1) and (5) of this section:

- (a) Professional education and development programs of national, state, and local accounting organizations;
- (b) Technical sessions at meetings of national, state, and local accounting organizations and their chapters;
- (c) Formal in-firm education programs;
- (d) Programs of other organizations (accounting, industrial, professional, etc.);
- (e) Dinner, luncheon, and breakfast meetings which are structured as formal educational programs;
- (f) Firm meetings for staff and/or management groups structured as formal education programs. Portions of such meetings devoted to communication and application of general professional policy or procedure may qualify, but portions devoted to firm administrative, financial and operating matters generally will not qualify.

(7) CPE credit: CPE credit is allowable only for those programs taken after the issuance of the CPA license. Credit is not allowed for programs taken to prepare an applicant for the ethics examination as a requirement for initial licensure. CPE credit is given in half-hour increments only after the first full CPE credit hour has been earned. A minimum of fifty minutes constitutes one CPE credit hour and, after the first fifty-minute segment has been earned, twenty-five minutes constitutes one-half CPE credit hour. For example:

- Twenty-five minutes of continuous instruction counts as zero CPE credit hour;
- Fifty minutes of continuous instruction counts as one CPE credit hour; and
- Seventy-five minutes of continuous instruction counts as one and one-half CPE credit hours.

Attendees obtain CPE credit only for time spent in instruction; no credit is allowed for preparation time.

(8) Self-study programs: Credit for self-study programs is allowed in the renewal period in which you completed the program as established by the evidence of completion provided by the program sponsor.

(a) **Interactive self-study programs:** The amount of credit allowed for interactive self-study is that which is recommended by the program sponsor on the basis of the average completion time under appropriate "field tests." In order to claim CPE credit for interactive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor.

(b) **Noninteractive self-study programs:** The amount of credit allowed for noninteractive self-study is one-half the average completion time as determined by the program sponsor on the basis of appropriate "field tests." To claim CPE credit for noninteractive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor.

(9) **Instructor, discussion leader, or speaker:** If you serve as an instructor, discussion leader or speaker at a program which meets the standards in subsections (1) and (5) of this section, the first time you present the program you may claim CPE credit for both preparation and presentation time. One hour of credit is allowed for each fifty minutes of instruction. Additionally, you may claim credit for actual preparation time up to two times the presentation hours. No credit is allowed for subsequent presentations. A maximum of seventy-two CPE credit hours are allowed for preparation and presentation during each CPE reporting period.

(10) **Published articles, books:** You may claim CPE credit for published articles and books, provided they contribute to your professional competence. Credit for preparation of such publications may be claimed on a self-declaration basis for up to thirty hours in a CPE reporting period. In exceptional circumstances, you may request additional credit by submitting the article(s) or book(s) to the board with an explanation of the circumstances that justify a greater credit. The amount of credit awarded for a given publication will be determined by the board.

(11) **Carry-forward:** CPE credit hours you complete during one period cannot be carried forward to the next period.

(12) **Carry-back:** As specified in [WAC 4-25-830](#)(9), CPE credit hours you complete during one period can be carried back to the previous reporting period only after the board has approved your request to carry back CPE credit hours.

(13) **Credential examination:** You may not claim CPE credit for preparing for or taking a credential examination unless you complete a formal review course and receive a certificate of completion meeting the requirements of [WAC 4-25-833](#). CPE credit may not be claimed for CPA examination review courses.

WAC 4-25-832 How do I report my CPE to the board?

In order to apply for renewal of your license, certificate, or registration as a resident nonlicensee firm owner, you must satisfy the board's CPE and supporting documentation requirements.

The reporting of compliance with CPE requirements is concurrent with filing your renewal application. When you complete your renewal form, you are required to sign a statement certifying under the penalty of perjury that you complied with the board's CPE requirements as defined in WAC 4-25-830 and supporting documentation requirements as defined in WAC 4-25-833.

The board audits, on a test basis, compliance with CPE and supporting documentation requirements as certified on the renewal form. As part of this audit the board may require additional information to demonstrate your compliance with the board's rules.

WAC 4-25-833 What documentation must I retain to support my eligibility for CPE credits?

(1) For each program for which you claim CPE credit you must retain documentation to support all of the following required information:

- (a) Program sponsor;
- (b) Title of program or description of content;
- (c) Date(s) attended;
- (d) Number of CPE credit hour(s);
- (e) Attendee name; and
- (f) Acceptable evidence of completion.

(2) Acceptable evidence supporting the requirements of subsection (1) of this section includes:

- (a) For group programs, a certificate, or other acceptable verification as defined by [board policy](#), that is supplied by the program sponsor;
- (b) For self-study programs, a certificate supplied by the program sponsor after satisfactory completion of a workbook or examination;
- (c) For a university or college course, a record of the grade you received;
- (d) For instruction credit, evidence obtained from the program sponsor of your having been the instructor or discussion leader at the program; or
- (e) For published articles or books, evidence of publication.

(3) You are responsible for documenting your entitlement to the CPE credit you claim on your renewal form.

(4) You must retain the supporting documentation for CPE credit claimed for three years after the end of the CPE reporting period in which the credit was claimed.

REGULATION AND ENFORCEMENT

WAC 4-25-910 What are the bases for the board to impose discipline?

[RCW 18.04.055](#), [18.04.295](#), and [18.04.305](#) authorize the board to revoke, suspend, refuse to issue, renew, or reinstate an individual or firm license, CPA-Inactive certificate, practice privilege, or registration as a resident nonlicensee firm owner; impose a fine not to exceed thirty thousand dollars; recover investigative and legal costs; impose full restitution to injured parties; impose remedial sanctions; impose conditions precedent to renew; or prohibit a nonlicensee from holding an ownership interest in a licensed firm for the specific acts listed below.

The following are specific examples of prohibited acts that constitute grounds for discipline under RCW 18.04.295 and 18.04.305. The board does not intend this listing to be all inclusive.

- (1) Fraud or deceit in applying for the CPA examination, obtaining a license, registering as a nonlicensee firm owner, submitting notification of practice privileges, or in any filings with the board.
- (2) Fraud or deceit in renewing a license, CPA-Inactive certificate, registration as a nonlicensee firm owner, or practices privileges.
- (3) Cheating on the CPA exam.
- (4) Making a false or misleading statement in support of another's application to take the CPA examination, application for a license, registration as a nonlicensee firm owner, submission of notification of practice privileges, renewal, or reinstatement.
- (5) Dishonesty, fraud, or negligence while representing oneself as a CPA, CPA-Inactive certificateholder, CPA firm, or a nonlicensee firm owner including but not limited to:
 - (a) Practicing public accounting in Washington state prior to obtaining a license;
 - (b) Making misleading, deceptive, or untrue representations;
 - (c) Engaging in acts of fiscal dishonesty;
 - (d) Purposefully, knowingly, or negligently failing to file a report or record, or filing a false report or record, required by local, state, or federal law;
 - (e) Unlawfully selling unregistered securities;
 - (f) Unlawfully acting as an unregistered securities salesperson or broker-dealer;
 - (g) Discharging a trustee's duties in a negligent manner or breaching one's fiduciary duties; or
 - (h) Withdrawing or liquidating, as fees earned, funds received by a CPA, CPA firm, or a nonlicensee firm owner from a client as a deposit or retainer when the client contests the amount of fees earned, until such time as the dispute is resolved.
- (6) The following shall be prima facie evidence that a CPA, CPA-Inactive certificateholder, CPA firm, or a nonlicensee firm owner has engaged in dishonesty, fraud, or negligence while representing oneself as a CPA, CPA-Inactive certificateholder, CPA firm, or a nonlicensee firm owner:
 - (a) An order of a court of competent jurisdiction finding the CPA, CPA-Inactive certificateholder, CPA firm, or the nonlicensee firm owner to have committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on a CPA's, CPA-Inactive certificateholder's, CPA firm's, or nonlicensee firm owner's fitness to represent himself or herself as a CPA, CPA-Inactive certificateholder's, CPA firm, or a nonlicensee firm owner;
 - (b) An order of a federal, state, local or foreign jurisdiction regulatory body, or the PCAOB, finding the CPA, CPA-Inactive certificateholder, CPA firm, or nonlicensee firm owner to have committed an act of negligence, fraud, or dishonesty or other act reflecting

adversely on a CPA's, CPA-Inactive certificateholder's, the nonlicensee firm owner's, or CPA firm's fitness to represent itself as a CPA, a CPA-Inactive certificateholder, a nonlicensee firm owner, or a CPA firm;

(c) Cancellation, revocation, suspension, or refusal to renew the right to practice as a CPA, CPA-Inactive certificateholder, or a nonlicensee firm owner by any other state for any cause other than failure to pay a fee or to meet the requirements of continuing education in the other state; or

(d) Suspension or revocation of the right to practice before any state agency, federal agency, or the PCAOB.

(7) Any state or federal criminal conviction or commission of any act constituting a crime under the laws of this state, or of another state, or of the United States.

(8) Certain conflicts of interest are prohibited, such as:

(a) Self dealing as a trustee, including, but not limited to:

(i) Investing trust funds in entities controlled by or related to the trustee;

(ii) Borrowing from trust funds, with or without disclosure; and

(iii) Employing persons related to the trustee or entities in which the trust has a beneficial interest to provide services to the trust (unless specifically authorized by the trust creation document).

(b) Borrowing funds from a client unless the client is in the business of making loans of the type obtained by the CPA, CPA-Inactive certificateholder, CPA firm, or nonlicensee firm owner and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness

(c) Borrowing money from a client or trust funds regardless of any effect on independence in attest engagements and employing persons or entities related to a fiduciary unless specifically authorized by the governing document..

THE POINT OF EMPHASIS

Prohibited Conflicts of Interest. WAC 4-25-910(8), *Enforcement*, describes certain conflicts of interest that are prohibited, e.g. borrowing money from a client or trust funds regardless of any effect on independence in attest engagements and employing persons or entities related to a fiduciary unless specifically authorized by the governing document.

(9) A violation of the Public Accountancy Act or failure to comply with a board rule contained in chapter [4-25 WAC](#).

(10) Violation of one or more of the rules of professional conduct included in chapter [4-25 WAC](#) or concealing another's violation of the Public Accountancy Act or board rules.

(11) Failure to cooperate with the board by failing to:

- (a) Furnish any papers or documents requested or ordered to produce by the board;
- (b) Furnish in writing a full and complete explanation related to a complaint as requested by the board;
- (c) Respond to an inquiry of the board;
- (d) Respond to subpoenas issued by the board, whether or not the recipient of the subpoena is the accused in the proceeding.

(12) Failure to comply with an order of the board.

(13) A CPA's, CPA-Inactive certificateholder's, or nonlicensee firm owner's adjudication as mentally incompetent is prima facie evidence that the CPA, CPA-Inactive certificateholder, or nonlicensee firm owner lacks the professional competence required by the rules of professional conduct.

(14) Failure of a licensee, CPA-Inactive certificateholder, or nonlicensee firm owner to notify the board, on a form and in the manner prescribed by board policy, within thirty days of the issuance of:

- (a) A sanction, order, suspension, revocation, or modification of a license, certificate, permit or practice rights by the SEC, PCAOB, IRS, or another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy; or
- (b) Charges filed by the SEC, IRS, PCAOB, another state board of accountancy, or a federal or state taxing, insurance or securities regulatory body that the licensee, CPA-Inactive certificateholder, or nonlicensee firm owner committed a prohibited act that would be a violation of board ethical or technical standards.

CHAPTER 18.04 RCW

PUBLIC ACCOUNTANCY ACT

Sections

- 18.04.015 Purpose.
- 18.04.025 Definitions.
- 18.04.035 Board of accountancy--Members--Terms--Vacancies--Removal.
- 18.04.045 Board--Officers and staff--Powers and duties.
- 18.04.055 Board--Rules.
- 18.04.065 Board--Fees--Disposition.
- 18.04.080 Compensation and travel expenses of members.
- 18.04.105 Issuance of license--Requirements-- Examination-- Fees--Certified public accountants' account--Valid

- certificates previously issued under chapter--
- Continuing professional education--Inactive certificates.
- 18.04.180 Reciprocity.
- 18.04.183 Accountants from foreign countries.
- 18.04.185 Application for license--Secretary of state agent for service of process.
- 18.04.195 License required--Requirements--Application--Fees.
- 18.04.205 Registration of offices--Requirements--Rules--Fees.
- 18.04.215 Licenses--Issuance--Renewal and reinstatement--Continuing professional education--Fees.
- 18.04.295 Actions against CPA license.
- 18.04.305 Actions against firm license.
- 18.04.320 Actions against license--Procedures.
- 18.04.335 Reissuance or modification of suspension of license or certificate.
- 18.04.345 Prohibited practices.
- 18.04.350 Practices not prohibited.
- 18.04.360 Practices may be enjoined.
- 18.04.370 Penalty.
- 18.04.380 Advertising falsely--Effect.
- 18.04.390 Papers, records, schedules, etc., property of the licensee or licensed firm--Prohibited practices--Rights of client.
- 18.04.405 Confidential information--Disclosure, when--Subpoenas.
- 18.04.420 License or certificate suspension--Nonpayment or default on educational loan or scholarship.
- 18.04.430 License or certificate suspension--Noncompliance with support order--Reissuance.
- 18.04.901 Severability.
- 18.04.910 Effective date--1983 c 234.
- 18.04.911 Effective date--1986 c 295.
- 18.04.920 Short title.

RCW 18.04.015 Purpose.

(1) It is the policy of this state and the purpose of this chapter:

(a) To promote the dependability of information which is used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private or governmental; and

(b) To protect the public interest by requiring that:

(i) Persons who hold themselves out as licensees or certificate holders conduct themselves in a competent, ethical, and professional manner;

(ii) A public authority be established that is competent to prescribe and assess the qualifications of certified public accountants, including certificate holders who are not licensed for the practice of public accounting;

(iii) Persons other than licensees refrain from using the words "audit," "review," and "compilation" when designating a report customarily prepared by someone knowledgeable in accounting;

(iv) A public authority be established to provide for consumer alerts and public protection information to be published regarding persons or firms who violate the provisions of chapter 294, Laws of 2001 or board rule and to provide general consumer protection information to the public; and

(v) The use of accounting titles likely to confuse the public be prohibited.

(2) The purpose of chapter 294, Laws of 2001 is to make revisions to chapter 234, Laws of 1983 and chapter 103, Laws of 1992 to: Fortify the public protection provisions of chapter 294, Laws of 2001; establish one set of qualifications to be a licensee; revise the regulations of certified public accountants; make revisions in the ownership of certified public accounting firms; assure to the greatest extent possible that certified public accountants from Washington state are substantially equivalent with certified public accountants in other states and can therefore perform the duties of certified public accountants in as many states and countries as possible; assure certified public accountants from other states and countries have met qualifications that are substantially equivalent to the certified public accountant qualifications of this state; and clarify the authority of the board of accountancy with respect to the activities of persons holding licenses and certificates under this chapter. It is not the intent of chapter 294, Laws of 2001 to in any way restrict or limit the activities of persons not holding licenses or certificates under this chapter except as otherwise specifically restricted or limited by chapter 234, Laws of 1983 and chapter 103, Laws of 1992.

(3) A purpose of chapter 103, Laws of 1992, revising provisions of chapter 234, Laws of 1983, is to clarify the authority of the board of accountancy with respect to the activities of persons holding certificates under this chapter. Furthermore, it is not the intent of chapter 103, Laws of 1992 to in any way restrict or limit the activities of persons not holding certificates under this chapter except as otherwise specifically restricted or limited by chapter 234, Laws of 1983.

RCW 18.04.025 Definitions.

Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Board" means the board of accountancy created by [RCW 18.04.035](#).

- (2) "Certificate holder" means the holder of a certificate as a certified public accountant who has not become a licensee, has maintained CPE requirements, and who does not practice public accounting.
- (3) "Certified public accountant" or "CPA" means a person holding a certified public accountant license or certificate.
- (4) "State" includes the states of the United States, the District of Columbia, Puerto Rico, Guam, and the United States Virgin Islands.
- (5) "Reports on financial statements" means any reports or opinions prepared by licensees, based on services performed in accordance with generally accepted auditing standards, standards for attestation engagements, or standards for accounting and review services as to whether the presentation of information used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private, or governmental, conforms with generally accepted accounting principles or other comprehensive bases of accounting. "Reports on financial statements" does not include services referenced in [RCW 18.04.350](#)(6) provided by persons not holding a license under this chapter.
- (6) The "practice of public accounting" means performing or offering to perform by a person or firm holding itself out to the public as a licensee, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of "audit reports," "review reports," or "compilation reports" on financial statements, or one or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters. The "practice of public accounting" shall not include practices that are permitted under the provisions of [RCW 18.04.350](#)(6) by persons or firms not required to be licensed under this chapter.
- (7) "Firm" means a sole proprietorship, a corporation, or a partnership. "Firm" also means a limited liability company formed under chapter [25.15 RCW](#).
- (8) "CPE" means continuing professional education.
- (9) "Certificate" means a certificate as a certified public accountant issued prior to July 1, 2001, as authorized under the provisions of this chapter.
- (10) "Licensee" means the holder of a license to practice public accountancy issued under this chapter.
- (11) "License" means a license to practice public accountancy issued to an individual under this chapter, or a license issued to a firm under this chapter.
- (12) "Manager" means a manager of a limited liability company licensed as a firm under this chapter.
- (13) "NASBA" means the national association of state boards of accountancy.
- (14) "Quality assurance review" means a process established by and conducted at the direction of the board of study, appraisal, or review of one or more aspects of the attest work of a licensee or licensed firm in the practice of public accountancy, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed.
- (15) "Peer review" means a study, appraisal, or review of one or more aspects of the attest work of a licensee or licensed firm in the practice of public accountancy, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed, including a peer

review, or any internal review or inspection intended to comply with quality control policies and procedures, but not including the "quality assurance review" under subsection (14) of this section.

(16) "Review committee" means any person carrying out, administering or overseeing a peer review authorized by the reviewee.

(17) "Rule" means any rule adopted by the board under authority of this chapter.

(18) "Holding out" means any representation to the public by the use of restricted titles as set forth in [RCW 18.04.345](#) by a person or firm that the person or firm holds a license under this chapter and that the person or firm offers to perform any professional services to the public as a licensee. "Holding out" shall not affect or limit a person or firm not required to hold a license under this chapter from engaging in practices identified in [RCW 18.04.350](#).

(19) "Natural person" means a living, human being.

(20) "Inactive" means the certificate is in an inactive status because a person who held a valid certificate before July 1, 2001, has not met the current requirements of licensure and has been granted inactive certificate holder status through an approval process established by the board.

RCW 18.04.035 Board of accountancy--Members--Terms--Vacancies--Removal.

(1) There is created a board of accountancy for the state of Washington to be known as the Washington state board of accountancy. Effective June 30, 2001, the board shall consist of nine members appointed by the governor. Members of the board shall include six persons who have been licensed in this state continuously for the previous ten years. Three members shall be public members qualified to judge whether the qualifications, activities, and professional practice of those regulated under this chapter conform with standards to protect the public interest, including one public member qualified to represent the interests of clients of individuals and firms licensed under this chapter.

(2) The members of the board shall be appointed by the governor to a term of three years. Vacancies occurring during a term shall be filled by appointment for the unexpired term. Upon the expiration of a member's term of office, the member shall continue to serve until a successor has been appointed and has assumed office. The governor shall remove from the board any member whose license to practice has been revoked or suspended and may, after hearing, remove any member of the board for neglect of duty or other just cause. No person who has served three successive complete terms is eligible for reappointment. Appointment to fill an unexpired term is not considered a complete term. In order to stagger their terms, of the two new appointments made to the board upon June 11, 1992, the first appointed member shall serve a term of two years initially.

RCW 18.04.045 Board--Officers and staff--Powers and duties.

(1) The board shall annually elect a chair, a vice-chair, and a secretary from its members.

(2) A majority of the board constitutes a quorum for the transaction of business.

(3) The board shall have a seal which shall be judicially noticed.

(4) The board shall keep records of its proceedings, and of any proceeding in court arising from or founded upon this chapter. Copies of these records certified as correct under the seal of the board are admissible in evidence as tending to prove the content of the records.

- (5) The governor shall appoint an executive director of the board, who shall serve at the pleasure of the governor. The executive director may employ such personnel as is appropriate for carrying out the purposes of this chapter. The executive director shall hold a valid Washington license. The board may arrange for such volunteer assistance as it requires to perform its duties. Individuals or committees assisting the board constitute volunteers for purposes of chapter [4.92 RCW](#).
- (6) The board shall file an annual report of its activities with the governor. The report shall include, but not be limited to, a statement of all receipts and disbursements. Upon request, the board shall mail a copy of each annual report to any member of the public.
- (7) In making investigations concerning alleged violations of the provisions of this chapter and in all proceedings under [RCW 18.04.295](#) or chapter [34.05 RCW](#), the board chair, or a member of the board, or a board designee acting in the chair's place, may administer oaths or affirmations to witnesses appearing before the board, subpoena witnesses and compel their attendance, take testimony, and require that documentary evidence be submitted.
- (8) The board may review the publicly available professional work of licensees on a general and random basis, without any requirement of a formal complaint or suspicion of impropriety on the part of any particular licensee. If as a result of such review the board discovers reasonable grounds for a more specific investigation, the board may proceed under its investigative and disciplinary rules.
- (9) The board may provide for consumer alerts and public protection information to be published regarding persons or firms who violate the provisions of this chapter or board rule and may provide general consumer protection information to the public.
- (10) As provided in [RCW 18.04.370](#), the board may enter into stipulated agreements and orders of assurance with persons who have violated the provisions of [RCW 18.04.345](#) or certify the facts to the prosecuting attorney of the county in which such person resides for criminal prosecution.

RCW 18.04.055 Board--Rules.

The board may adopt and amend rules under chapter [34.05 RCW](#) for the orderly conduct of its affairs. The board shall prescribe rules consistent with this chapter as necessary to implement this chapter. Included may be:

- (1) Rules of procedure to govern the conduct of matters before the board;
- (2) Rules of professional conduct for all licensees, certificate holders, and nonlicensee owners of licensed firms, in order to establish and maintain high standards of competence and ethics including rules dealing with independence, integrity, objectivity, and freedom from conflicts of interest;
- (3) Rules specifying actions and circumstances deemed to constitute holding oneself out as a licensee in connection with the practice of public accountancy;
- (4) Rules specifying the manner and circumstances of the use of the titles "certified public accountant" and "CPA," by holders of certificates who do not also hold licenses under this chapter;

- (5) Rules specifying the educational requirements to take the certified public accountant examination;
- (6) Rules designed to ensure that licensees' "reports on financial statements" meet the definitional requirements for that term as specified in [RCW 18.04.025](#);
- (7) Requirements for CPE to maintain or improve the professional competence of licensees as a condition to maintaining their license and certificate holders as a condition to maintaining their certificate under [RCW 18.04.215](#);
- (8) Rules governing firms issuing or offering to issue reports on financial statements or using the title "certified public accountant" or "CPA" including, but not limited to, rules concerning their style, name, title, and affiliation with any other organization, and establishing reasonable practice and ethical standards to protect the public interest;
- (9) The board may by rule implement a quality assurance review program as a means to monitor licensees' quality of practice and compliance with professional standards. The board may exempt from such program, licensees who undergo periodic peer reviews in programs of the American Institute of Certified Public Accountants, NASBA, or other programs recognized and approved by the board;
- (10) The board may by rule require licensed firms to obtain professional liability insurance if in the board's discretion such insurance provides additional and necessary protection for the public;
- (11) Rules specifying the experience requirements in order to qualify for a license;
- (12) Rules specifying the requirements for certificate holders to qualify for a license under this chapter which must include provisions for meeting CPE and experience requirements prior to application for licensure;
- (13) Rules specifying the registration requirements, including ethics examination and fee requirements, for resident nonlicensee partners, shareholders, and managers of licensed firms;
- (14) Rules specifying the ethics CPE requirements for certificate holders and owners of licensed firms, including the process for reporting compliance with those requirements;
- (15) Rules specifying the experience and CPE requirements for licensees offering or issuing reports on financial statements; and
- (16) Any other rule which the board finds necessary or appropriate to implement this chapter.

RCW 18.04.065 Board--Fees--Disposition.

The board shall set its fees at a level adequate to pay the costs of administering this chapter. All fees for licenses, registrations of nonlicensee partners, shareholders, and managers of licensed firms, renewals of licenses, renewals of registrations of nonlicensee partners, shareholders, and managers of licensed firms, renewals of certificates, reinstatements of lapsed licenses, reinstatements of lapsed certificates, reinstatements of lapsed registrations of nonlicensee partners, shareholders, and managers of licensed firms, practice privileges under RCW 18.04.350, and delinquent filings received under the authority of this chapter shall be deposited in the certified public accountants' account created by RCW 18.04.105. Appropriation from such account shall be made only for the cost of administering the provisions of this chapter.

RCW 18.04.080 Compensation and travel expenses of members.

Each member of the board shall be compensated in accordance with RCW 43.03.240 and shall be reimbursed for travel expenses incurred in the discharge of such duties in accordance with RCW 43.03.050 and 43.03.060.

RCW 18.04.105 Issuance of license--Requirements--Examination--Fees--Certified public accountants' account--Valid certificates previously issued under chapter--Continuing professional education--Inactive certificates.

(1) A license to practice public accounting shall be granted by the board to any person:

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

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

(c) Who has passed an examination;

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

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

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

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

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

(2) The examination described in subsection (1)(c) of this section shall test the applicant's knowledge of the subjects of accounting and auditing, and other related fields the board may specify by rule. The time for holding the examination is fixed by the board and may be changed from time to time. The board shall prescribe by rule the methods of applying for and taking the examination, including methods for grading examinations and determining a passing grade required of an applicant for a license. The board shall to the extent possible see to it that the grading of the examination, and the passing grades, are uniform with those applicable to all other states. The board may make use of all or a part of the uniform certified public accountant examination and advisory grading service of the American Institute of Certified Public Accountants and may contract with third parties to perform administrative services with respect to the examination as the board deems appropriate to assist it in performing its duties under this chapter. The board shall establish by rule provisions for transitioning to a new examination structure or to a new media for administering the examination.

(3) The board shall charge each applicant an examination fee for the initial examination or for reexamination. The applicable fee shall be paid by the person at the time he or she applies for examination, reexamination, or evaluation of educational qualifications. Fees for examination,

reexamination, or evaluation of educational qualifications shall be determined by the board under chapter [18.04 RCW](#). There is established in the state treasury an account to be known as the certified public accountants' account. All fees received from candidates to take any or all sections of the certified public accountant examination shall be used only for costs related to the examination.

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

(a) Certificate holders may, prior to June 30, 2006, petition the board to become licensees by documenting to the board that they have gained one year of experience through the use of accounting, issuing reports on financial statements, management advisory, financial advisory, tax, tax advisory, or consulting skills, without regard to the eight-year limitation set forth in (b) of this subsection, while employed in government, industry, academia, or public practice.

(b) Certificate holders who do not petition to become licensees prior to June 30, 2006, may after that date petition the board to become licensees by documenting to the board that they have one year of experience acquired within eight years prior to applying for a license through the use of accounting, issuing reports on financial statements, management advisory, financial advisory, tax, tax advisory, or consulting skills in government, industry, academia, or public practice.

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

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

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

(5) Certificate holders shall comply with the prohibition against the practice of public accounting in [RCW 18.04.345](#).

(6) Persons who on June 30, 2001, held valid certificates previously issued under this chapter are deemed to hold inactive certificates, subject to renewal as inactive certificates, until they have petitioned the board to become licensees and have met the requirements of subsection (4) of this section. No individual who did not hold a valid certificate before July 1, 2001, is eligible to obtain an inactive certificate.

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

(8) Persons holding an inactive certificate:

(a) Must use or attach the term "inactive" whenever using the title CPA or certified public accountant or referring to the certificate, and print the word "inactive" immediately following the

title, whenever the title is printed on a business card, letterhead, or any other document, including documents published or transmitted through electronic media, in the same font and font size as the title; and

(b) Are prohibited from practicing public accounting.

RCW 18.04.180 Reciprocity.

1) The board shall issue a license to a holder of a certificate/valid license issued by another state that entitles the holder to practice public accountancy, provided that:

(a) Such state makes similar provision to grant reciprocity to a holder of a valid certificate or license in this state;

(b) The applicant meets the CPE requirements of [RCW 18.04.215\(5\)](#);

(c) The applicant meets the good character requirements of [RCW 18.04.105\(1\)\(a\)](#); and

(d) The applicant passed the examination required for issuance of his or her certificate or license with grades that would have been passing grades at that time in this state and meets all current requirements in this state for issuance of a license at the time application is made; or at the time of the issuance of the applicant's license in the other state, met all the requirements then applicable in this state; or has three years of experience within the five years immediately preceding application or had five years of experience within the ten years immediately preceding application in the practice of public accountancy that meets the requirements prescribed by the board.

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

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

RCW 18.04.183 Accountants from foreign countries.

The board shall grant a license as a certified public accountant to a holder of a permit, license, or certificate issued by a foreign country's board, agency, or institute, provided that:

(1) 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;

(2) Such foreign country's board, agency, or institute makes similar provision to allow a person who holds a valid license issued by this state to obtain such foreign country's comparable permit, license, or certificate;

(3) The foreign permit, license, or certificate:

(a) Was duly issued by such foreign country's board, agency, or institute that regulates the practice of public accountancy; and

(b) Is in good standing at the time of the application; and

(c) 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 this state;

(4) The applicant has within the thirty-six months prior to application completed an accumulation of one hundred twenty hours of CPE as required under [RCW 18.04.215](#)(5). The board shall provide for transition from existing to new CPE requirements;

(5) 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. This state's board shall decide which are the most stringent qualifications;

(6) 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; and

(7) The applicant has within the eight years prior to applying for a license under this section, 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 under [RCW 18.04.105](#)(1)(d) or such other experience or employment which the board in its discretion regards as substantially equivalent.

The board may adopt by rule new CPE standards that differ from those in subsection (4) of this section or [RCW 18.04.215](#) if the new standards are consistent with the CPE standards of other states so as to provide to the greatest extent possible, consistent national standards.

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

RCW 18.04.185 Application for license--Secretary of state agent for service of process.

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

RCW 18.04.195 License required--Requirements--Application--Fees.

(1) A sole proprietorship engaged in business in this state and offering to issue or issuing reports on financial statements or using the title CPA or certified public accountant shall license, as a firm, every three years with the board.

(a) The sole proprietor shall hold a license to practice under [RCW 18.04.215](#);

(b) Each resident person in charge of an office located in this state shall hold a license to practice under [RCW 18.04.215](#); and

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

(2) A partnership engaged in business in this state and offering to issue or issuing reports on financial statements or using the title CPA or certified public accountant shall license as a firm every three years with the board, and shall meet the following requirements:

(a) At least one general partner of the partnership shall hold a license to practice under [RCW 18.04.215](#);

(b) Each resident person in charge of an office in this state shall hold a license to practice under [RCW 18.04.215](#);

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

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

(3) A corporation engaged in business in this state and offering to issue or issuing reports on financial statements or using the title CPA or certified public accountant shall license as a firm every three years with the board and shall meet the following requirements:

(a) A simple majority of the ownership of the licensed firm in terms of financial interests and voting rights of all shareholders or owners shall be held by natural persons who are licensees or holders of a valid license issued under this chapter or by another state that entitles the holder to practice public accounting in this state and is principally employed by the corporation or actively engaged in its business. The principal officer of the corporation and any officer or director having authority over issuing reports on financial statements shall hold a license under this chapter or issued by another state that entitles the holder to practice public accounting in this state;

(b) At least one shareholder of the corporation shall hold a license under [RCW 18.04.215](#);

(c) Each resident person in charge of an office located in this state shall hold a license under [RCW 18.04.215](#);

(d) A written agreement shall bind the corporation or its shareholders to purchase any shares offered for sale by, or not under the ownership or effective control of, a qualified shareholder, and bind any holder not a qualified shareholder to sell the shares to the corporation or its qualified shareholders. The agreement shall be noted on each certificate of corporate stock. The corporation may purchase any amount of its stock for this purpose, notwithstanding any impairment of capital, as long as one share remains outstanding;

(e) The corporation shall comply with any other rules pertaining to corporations practicing public accounting in this state as the board may prescribe; and

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

(4) A limited liability company engaged in business in this state and offering to issue or issuing reports on financial statements or using the title CPA or certified public accountant shall license as a firm every three years with the board, and shall meet the following requirements:

(a) At least one member of the limited liability company shall hold a license under [RCW 18.04.215](#);

(b) Each resident manager or member in charge of an office located in this state shall hold a license under [RCW 18.04.215](#);

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

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

(5) Application for a license as a firm shall be made upon the affidavit of the proprietor or person designated as managing partner, member, or shareholder for Washington. This person shall hold a license under [RCW 18.04.215](#). The board shall determine in each case whether the applicant is eligible for a license. A partnership, corporation, or limited liability company which is licensed to practice under [RCW 18.04.215](#) may use the designation "certified public accountants" or "CPAs" in connection with its partnership, limited liability company, or corporate name. The board shall be given notification within ninety days after the admission or withdrawal of a partner, shareholder, or member engaged in this state in the practice of public accounting from any partnership, corporation, or limited liability company so licensed.

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

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

(8) Nonlicensee owners of licensed firms are:

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

(b) Required to be a natural person;

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

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

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

- (a) The ethics examination, registration, and fee requirements as established by the board rules; and
 - (b) The ethics CPE requirements established by the board rules.
- (10) (a) Licensed firms must notify the board within thirty days after:
- (i) Sanction, suspension, revocation, or modification of their professional license or practice rights by the securities exchange commission, internal revenue service, or another state board of accountancy;
 - (ii) Sanction or order against the licensee or nonlicensee firm owner by any federal or other state agency related to the licensee's practice of public accounting or violation of ethical or technical standards established by board rule; or
 - (iii) The licensed firm is notified that it has been charged with a violation of law that could result in the suspension or revocation of the firm's license by a federal or other state agency, as identified by board rule, related to the firm's professional license, practice rights, or violation of ethical or technical standards established by board rule.
- (b) The board must adopt rules to implement this subsection and may also adopt rules specifying requirements for licensees to report to the board sanctions or orders relating to the licensee's practice of public accounting or violation of ethical or technical standards entered against the licensee by a nongovernmental professionally related standard-setting entity.

RCW 18.04.205 Registration of offices--Requirements--Rules--Fees.

- 1) Each office established or maintained in this state for the purpose of offering to issue or issuing reports on financial statements in this state or that uses the title "certified public accountant" or "CPA," shall register with the board under this chapter every three years.
- (2) Each office shall be under the direct supervision of a resident licensee holding a license under [RCW 18.04.215](#).
- (3) The board shall by rule prescribe the procedure to be followed to register and maintain offices established in this state for the purpose of offering to issue or issuing reports on financial statements or that use the title "certified public accountant" or "CPA."
- (4) Fees for the registration of offices shall be determined by the board. Fees shall be paid by the applicant at the time the registration form is filed with the board.

RCW 18.04.215 Licenses--Issuance--Renewal and reinstatement--Continuing professional education--Fees.

- (1) Three-year licenses shall be issued by the board:
 - (a) To persons meeting the requirements of [RCW 18.04.105](#)(1), [18.04.180](#), or [18.04.183](#).
 - (b) To certificate holders meeting the requirements of [RCW 18.04.105](#)(4).
 - (c) To firms under [RCW 18.04.195](#), meeting the requirements of [RCW 18.04.205](#).
- (2) The board shall, by rule, provide for a system of certificate and license renewal and reinstatement. Applicants for renewal or reinstatement shall, at the time of filing their applications, list with the board all states and foreign jurisdictions in which they hold or have applied for certificates, permits or licenses to practice.

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

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

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

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

(b) Establish CPE requirements; and

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

(6) A certified public accountant who holds a license issued by another state, and applies for a license in this state, may practice in this state from the date of filing a completed application with the board, until the board has acted upon the application provided the application is made prior to holding out as a certified public accountant in this state and no sanctions or investigations, deemed by the board to be pertinent to public accountancy, by other jurisdictions or agencies are in process.

(7) A licensee shall submit to the board satisfactory proof of having completed an accumulation of one hundred twenty hours of CPE recognized and approved by the board during the preceding three years. Failure to furnish this evidence as required shall make the license lapse and subject to reinstatement procedures, unless the board determines the failure to have been due to retirement or reasonable cause.

The board in its discretion may renew a certificate or license despite failure to furnish evidence of compliance with requirements of CPE upon condition that the applicant follow a particular program of CPE. In issuing rules and individual orders with respect to CPE requirements, the board, among other considerations, may rely upon guidelines and pronouncements of recognized educational and professional associations, may prescribe course content, duration, and organization, and may take into account the accessibility of CPE to licensees and certificate holders and instances of individual hardship.

(8) Fees for renewal or reinstatement of certificates and licenses in this state shall be determined by the board under this chapter. Fees shall be paid by the applicant at the time the application form is filed with the board. The board, by rule, may provide for proration of fees for licenses or certificates issued between normal renewal dates.

(9) (a) Licensees, certificate holders, and nonlicensee owners must notify the board within thirty days after:

(i) Sanction, suspension, revocation, or modification of their professional license or practice rights by the securities exchange commission, internal revenue service, or another state board of accountancy;

(ii) Sanction or order against the licensee, certificate holder, or nonlicensee owner by any federal or other state agency related to the licensee's practice of public accounting or the licensee's, certificate holder's, or nonlicensee owner's violation of ethical or technical standards established by board rule; or

(iii) The licensee, certificate holder, or nonlicensee owner is notified that he or she has been charged with a violation of law that could result in the suspension or revocation of a license or certificate by a federal or other state agency, as identified by board rule, related to the licensee's, certificate holder's, or nonlicensee owner's professional license, practice rights, or violation of ethical or technical standards established by board rule.

(b) The board must adopt rules to implement this subsection and may also adopt rules specifying requirements for licensees, certificate holders, and nonlicensee owners to report to the board sanctions or orders relating to the licensee's practice of public accounting or the licensee's, certificate holder's, or nonlicensee owner's violation of ethical or technical standards entered against the licensee, certificate holder, or nonlicensee owner by a nongovernmental professionally related standard-setting entity.

RCW 18.04.295 Actions against CPA license.

The board shall have the power to: Revoke, suspend, or refuse to issue, renew, or reinstate a license or certificate; impose a fine in an amount not to exceed thirty thousand dollars plus the board's investigative and legal costs in bringing charges against a certified public accountant, a certificate holder, a licensee, a licensed firm, an applicant, a non-CPA violating the provisions of [RCW 18.04.345](#), or a nonlicensee holding an ownership interest in a licensed firm; may impose full restitution to injured parties; may impose conditions precedent to renewal of a certificate or a license; or may prohibit a nonlicensee from holding an ownership interest in a licensed firm, for any of the following causes:

(1) Fraud or deceit in obtaining a license, or in any filings with the board;

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

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

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

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

(a) The laws of this state;

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

(c) Federal law;

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

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

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

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

(9) Failure to cooperate with the board by:

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

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

(c) Failure to respond to subpoenas issued by the board, whether or not the recipient of the subpoena is the accused in the proceeding;

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

(11) Failure to comply with an order of the board.

RCW 18.04.305 Actions against firm license.

The board may revoke, suspend, or refuse to renew the license issued to a firm if at any time the firm does not meet the requirements of this chapter for licensing, or for any of the causes enumerated in [RCW 18.04.295](#), or for any of the following additional causes:

(1) The revocation or suspension of the sole-practitioner's license or the revocation or suspension or refusal to renew the license of any partner, manager, member, or shareholder;

(2) The revocation, suspension, or refusal to renew the license of the firm, or any partner, manager, member, or shareholder thereof, to practice public accounting in any other state or foreign jurisdiction for any cause other than failure to pay a fee or to meet the CPE requirements of the other state or foreign jurisdiction;

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

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

RCW 18.04.320 Actions against license--Procedures.

In the case of the refusal, revocation, or suspension of a certificate or a license by the board under the provisions of this chapter, such proceedings and any appeal therefrom shall be taken in accordance with the administrative procedure act, chapter 34.05 RCW.

RCW 18.04.335 Reissuance or modification of suspension of license or certificate.

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

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

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

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

RCW 18.04.345 Prohibited practices.

(1) No person may assume or use the designation "certified public accountant-inactive" or "CPA-inactive" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the person is a certified public accountant-inactive or CPA-inactive unless the person holds a certificate. Persons holding only a certificate may not practice public accounting.

(2) No person may hold himself or herself out to the public or assume or use the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the person is a certified public accountant or CPA unless the person holds a license under RCW 18.04.215.

(3) No firm may hold itself out to the public as offering to issue or issuing reports on financial statements, or assume or use the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of certified public accountants or CPAs, unless the firm is licensed under RCW 18.04.195 and all offices of the firm in this state are maintained and registered under RCW 18.04.205.

(4) No person, partnership, limited liability company, or corporation offering accounting services to the public may hold himself, herself, or itself out to the public, or assume or use along, or in connection with his, hers, or its name, or any other name the title or designation "certified accountant," "chartered accountant," "licensed accountant," "licensed public accountant," "public accountant," or any other title or designation likely to be confused with "certified public accountant" or any of the abbreviations "CA," "LA," "LPA," or "PA," or similar abbreviations likely to be confused with "CPA."

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

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

(7) No person may sign, affix, or associate a firm name to any report designated as an "audit," "review," or "compilation," unless the firm is licensed under RCW 18.04.195 and 18.04.215, and all of its offices in this state are maintained and registered under RCW 18.04.205.

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

RCW 18.04.350 Practices not prohibited.

(1) Nothing in this chapter prohibits any person not holding a license from serving as an employee of a firm licensed under [RCW 18.04.215](#). However, the employee or assistant shall not issue any accounting or financial statement over his or her name.

(2)(a) An individual, whose principal place of business is not in this state, who has a valid certificate or license as a certified public accountant from another state, and (i) whose state of licensure has education, examination, and experience requirements that are deemed by the board to be substantially equivalent to this state's requirements or (ii) who, as an individual, has education, examination, and experience that are deemed by the board to be substantially equivalent to this state's requirement shall have all the privileges of license holders of this state without the need to obtain a license under [RCW 18.04.105](#) or [18.04.195](#). However, such individuals shall notify the board, under such circumstances and in such manner as the board determines by rule, of their intent to enter the state under this section. The board shall have the authority to establish a fee for the practice privilege granted under this section by rule.

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

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

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

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

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

THE POINT OF EMPHASIS

When does an Out-of State Licensee need to obtain "practice privileges"? RCW

18.04.350(2) grants out-of-state individuals practice privileges without a license provided the individuals have ***not entered the state*** as defined in **WAC 4-25-410, subsections (16), (33), (34) and (35)**. Effective October 27, 2006, **out-of-state firms** represented by out-of-state individuals who provide regulated services in the State of Washington are also not required to notify the Board unless the aggregate chargeable hours of the firm's representative(s) exceed the 10% threshold. **If the 10% threshold is exceeded the firm must obtain a license in Washington State.**

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

(4) Nothing in this chapter prohibits a licensee, a licensed firm, or any of their employees from disclosing any data in confidence to any employee, representative, officer, or committee member of a recognized professional association, or to the board, or any of its employees or committees in connection with a professional investigation held under the auspices of recognized professional associations or the board.

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

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

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

(6) Nothing in this chapter prohibits any person or firm composed of persons not holding a license under [RCW 18.04.215](#) from offering or rendering to the public bookkeeping, accounting, tax services, the devising and installing of financial information systems, management advisory, or consulting services, the preparation of tax returns, or the furnishing of advice on tax matters, the preparation of financial statements, written statements describing how such financial statements were prepared, or similar services, provided that persons, partnerships, limited liability companies, or corporations not holding a license under [RCW 18.04.215](#) who offer or render these services do not designate any written statement as an "audit report," "review report," or "compilation report," do not issue any written statement which purports to express or disclaim an opinion on financial statements which have been audited, and do not issue any written statement which expresses assurance on financial statements which have been reviewed.

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

(8) Nothing contained in this chapter prohibits any person who holds only a valid certificate from assuming or using the designation "certified public accountant-inactive" or "CPA-inactive" or any other title, designation, words, letters, sign, card, or device tending to indicate the person

is a certificate holder, provided, that such person does not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including issuance of reports on financial statements or of one or more kinds of management advisory, financial advisory, consulting services, the preparation of tax returns, or the furnishing of advice on tax matters.

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

RCW 18.04.360 Practices may be enjoined.

If, in the judgment of the board any person has engaged, or is about to engage, in any acts or practices which constitute, or will constitute, a violation of this chapter, the board may make application to the appropriate court for an order enjoining such acts or practices and upon a showing by the board that such person has engaged, or is about to engage, in any such acts or practices, an injunction, restraining order, or such other order as may be appropriate may be granted by such court.

RCW 18.04.370 Penalty.

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

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

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

(c) Notwithstanding (a) of this subsection, any person whose license or certificate was suspended or revoked by the board and who uses the CPA professional title intending to deceive the public, in violation of [RCW 18.04.345](#), having previously entered into a stipulated agreement and order of assurance with the board, is guilty of a class C felony, and upon conviction thereof, is subject to a fine of not more than thirty thousand dollars, or to imprisonment for not more than two years, or to both fine and imprisonment.

(2) With the exception of first time violations of [RCW 18.04.345](#), subject to subsection (3) of this section whenever the board has reason to believe that any person is violating the provisions of this chapter it shall certify the facts to the prosecuting attorney of the county in which such

person resides or may be apprehended and the prosecuting attorney shall cause appropriate proceedings to be brought against such person.

(3) The board may elect to enter into a stipulated agreement and orders of assurance with persons in violation of [RCW 18.04.345](#) who have not previously been found to have violated the provisions of this chapter. The board may order full restitution to injured parties as a condition of a stipulated agreement and order of assurance.

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

RCW 18.04.380 Advertising falsely--Effect.

(1) The display or presentation by a person of a card, sign, advertisement, or other printed, engraved, or written instrument or device, bearing a person's name in conjunction with the words "certified public accountant" or any abbreviation thereof shall be prima facie evidence in any action brought under this chapter that the person whose name is so displayed, caused or procured the display or presentation of the card, sign, advertisement, or other printed, engraved, or written instrument or device, and that the person is holding himself or herself out to be a licensee, a certified public accountant, or a person holding a certificate under this chapter.

(2) The display or presentation by a person of a card, sign, advertisement, or other printed, engraved, or written instrument or device, bearing a person's name in conjunction with the words certified public accountant-inactive or any abbreviation thereof is prima facie evidence in any action brought under this chapter that the person whose name is so displayed caused or procured the display or presentation of the card, sign, advertisement, or other printed, engraved, or written instrument or device, and that the person is holding himself or herself out to be a certified public accountant-inactive under this chapter.

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

RCW 18.04.390 Papers, records, schedules, etc., property of the licensee or licensed firm--

Prohibited practices--Rights of client.

(1) In the absence of an express agreement between the licensee or licensed firm and the client to the contrary, all statements, records, schedules, working papers, and memoranda made by a licensee or licensed firm incident to or in the course of professional service to clients, except reports submitted by a licensee or licensed firm, are the property of the licensee or licensed firm.

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

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

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

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

(4) (a) For a period of seven years after the end of the fiscal period in which a licensed firm concludes an audit or review of a client's financial statements, the licensed firm must retain records relevant to the audit or review, as determined by board rule.

(b) The board must adopt rules to implement this subsection, including rules relating to working papers and document retention.

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

RCW 18.04.405 Confidential information--Disclosure, when--Subpoenas.

(1) A licensee, certificate holder, or licensed firm, or any of their employees shall not disclose any confidential information obtained in the course of a professional transaction except with the consent of the client or former client or as disclosure may be required by law, legal process, the standards of the profession, or as disclosure of confidential information is permitted by RCW 18.04.350 (3) and (4), 18.04.295(8), 18.04.390, and this section in connection with quality assurance, or peer reviews, investigations, and any proceeding under chapter 34.05 RCW.

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

(3) The proceedings, records, and work papers of a review committee shall be privileged and shall not be subject to discovery, subpoena, or other means of legal process or introduction into evidence in any civil action, arbitration, administrative proceeding, or board proceeding and no member of the review committee or person who was involved in the peer review process shall be permitted or required to testify in any such civil action, arbitration, administrative proceeding, or board proceeding as to any matter produced, presented, disclosed, or discussed during or in connection with the peer review process, or as to any findings, recommendations, evaluations, opinions, or other actions of such committees, or any members thereof. Information, documents, or records that are publicly available are not to be construed as immune from discovery or use in any civil action,

arbitration, administrative proceeding, or board proceeding merely because they were presented or considered in connection with the quality assurance or peer review process.

RCW 18.04.420 License or certificate suspension--Nonpayment or default on educational loan or scholarship.

The board shall suspend the license or certificate of any person who has been certified by a lending agency and reported to the board for nonpayment or default on a federally or state-guaranteed educational loan or service-conditional scholarship. Prior to the suspension, the agency must provide the person an opportunity for a brief adjudicative proceeding under RCW 34.05.485 through 34.05.494 and issue a finding of nonpayment or default on a federally or state-guaranteed educational loan or service-conditional scholarship. The person's license or certificate shall not be reissued until the person provides the board a written release issued by the lending agency stating that the person is making payments on the loan in accordance with a repayment agreement approved by the lending agency. If the person has continued to meet all other requirements for licensure or certification during the suspension, reinstatement shall be automatic upon receipt of the notice and payment of any reinstatement fee the board may impose.

**RCW 18.04.430 License or certificate suspension--Noncompliance with support order--
Reissuance.**

The board shall immediately suspend the certificate or license of a person who has been certified pursuant to RCW 74.20A.320 by the department of social and health services as a person who is not in compliance with a support order or a *residential or visitation order. If the person has continued to meet all other requirements for reinstatement during the suspension, reissuance of the license or certificate shall be automatic upon the board's receipt of a release issued by the department of social and health services stating that the licensee is in compliance with the order.

RCW 18.04.901 Severability.

If any provision of this chapter or its application to any person or circumstance is held invalid, the remainder of the chapter or the application of the provision to other persons or circumstances is not affected.

RCW 18.04.910 Effective date--1983 c 234.

This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect on July 1, 1983.

RCW 18.04.911 Effective date--1986 c 295.

This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect on July 1, 1986, except as provided in this section. *Section 5 of this act shall not become effective if sections 90(1) and 4 of Engrossed Substitute House Bill No. 1758 become law.

RCW 18.04.920 Short title.

This chapter may be cited as the public accountancy act.

POLICY 2002-2 WITNESS SERVICES BY A CPA

Purpose:

To provide guidance to CPAs regarding the licensing or notification requirements for performing expert witness engagements in the state of Washington.

I. Requirements for CPAs Licensed by the Washington Board of Accountancy

Expert witness services may be performed by a licensed CPA using the title "CPA" in organizations other than CPA firms provided the organization does not:

- Also provide attest services, or
- Use "CPA" in the firm title.

With the exception of out-of-state sole practicing CPAs holding valid practice privileges in Washington State under [WAC 4-25-756](#), all firms offering attest services or using "CPA" in the firm title must be licensed by the Washington Board of Accountancy.

II. Requirements for Washington State CPA-Inactive Certificateholders

CPA-Inactive certificateholders may use the title CPA-Inactive when performing or offering to perform expert witness services unless the service is related to the following or similar activities, skills, or services:

- Accounting
- Auditing including the issuance of "audit reports," "review reports," or "compilation reports" on financial statements,
- Management advisory,
- Consulting services,
- Preparing of tax returns, or
- Furnishing advice on tax matters.

CPA-Inactive certificateholders who testify on another matter (not related to the services, skills, or activities identified above) may use the title "CPA-Inactive" as mandated by [RCW 18.04.105](#) provided they advise the court that they hold a Washington state CPA-Inactive certificate and they do not hold a Washington state CPA license to practice public accountancy.

Nothing in this policy is intended to preclude an individual from testifying as a witness to relevant evidence in other than an expert witness capacity.

III. Requirements for CPAs Licensed in Jurisdictions other than Washington State

The Board recognizes that CPAs not holding a Washington State CPA license may be called upon to provide expert witness testimony in Washington Courts or federal courts located in Washington.

Such *nonrecurring testimony** is considered to be within the purview of the courts and does not require licensure with the Washington Board of Accountancy or practice privileges in the state of Washington (see [WAC 4-25-756](#)) provided the CPA clearly states to the court that s/he does not hold a Washington CPA license or practice privileges in the State of Washington and the CPA identifies the jurisdiction(s) in which s/he is licensed, permitted, or holds a certificate.

If the individual's principle place of business is not in Washington state, and if the anticipated expert witness services are of a level defined by Board rule [WAC 4-25-410\(14\)](#) as intent to enter, then the individual must meet the notification requirements of [WAC 4-25-756](#) prior to performing such engagements in Washington state.

If the expert witness' principle place of business [see [WAC 4-25-410\(33\)](#)] is in Washington State, then the individual must be licensed by the Washington Board of Accountancy.

*For example: Nonrecurring would include entering Washington state to testify several times for one case; whereas, recurring would be entering Washington state to testify in association with more than one case.

POLICY 2006-1 BOARD POLICY - DIRECTIONS TO STAFF

Purpose:

To provide clarification to the staff on terms used in Board rules (Washington Administrative Code [WAC] 4-25) and the Public Accountancy Act (Revised Code of Washington [RCW] 18.04) while the Board undertakes an intensive study of the issues involved.

I. "Engaged in Business"

"Engaged in Business" in this state as referenced in RCW 18.04.195 means a CPA firm has entered or has committed to enter the state of Washington for purposes of rendering within the state of Washington one or more kinds of services included in the definition of the "practice of public accounting." The firm has entered or has committed to enter the State of Washington when:

- A. Out-of-state representatives of the firm spend or commit to spend more than 10% of their combined total work hours within the state of Washington, or
- B. The out-of-state firm or the representative(s) of the firm maintains an office or workstation within the state of Washington, or

- C. The out-of-state firm or the representative(s) of the firm proposes and/or advertises to provide public accounting services within the state of Washington.

II. "In Writing"

"In-writing" means (a) signed original documents, including required forms, or (b) copies of the original signed documents and/or forms. Copies of documents and/or forms may be submitted to the Board by mail, fax, e-mail or other electronic means.

Verbal responses to Board inquiry do not meet the "in writing" requirement.

If documents and/or forms are submitted to the Board or Board staff by mail, fax, e-mail or other electronic means, the sender is responsible for ensuring that the Board or Board staff receives the transmittal.

III. "Representative of the Firm"

"Representative of the Firm" includes firm owners, professional service employees, professional service contractors, or a group of representatives providing services, as defined in "the practice of public accounting," as agent for on behalf of, or in the name of, a CPA firm.

IV. "Sole Practitioning CPA"

"Sole Practitioning CPA" means one individual licensed to practice public accounting in another substantially equivalent state who neither employs professional service employees nor engages professional service contractors to perform public accounting services.

V. "Within the State or In the State"

"Within the State or In the State" means physical presence in the state of Washington and/or performing public accounting services for clients in Washington State.

VI. "Person"

For purposes of Enjoinder, Penalties, and Advertising Falsely as specified in [RCW 18.04.360 through 18.04.380](#), "person" is defined to include any individual, or non-governmental organization or business entity regardless of legal form, e.g. sole proprietorship, firm, partnership, corporation, limited liability company, association, not-for-profit, including the sole proprietor, partners or members, and as applied to corporations, the officers.

This is distinguished from a "natural person" which is defined by rule to mean a "living human being." [WAC 4-25-410\(26\)](#)

POLICY 2000-3 QUALITY ASSURANCE REVIEW PROGRAM

Purpose:

The purpose of this policy is to provide and communicate the Board's guidelines on the Quality Assurance Review (QAR) program as established by WAC 4-25-820.

I. QAR Program Timelines

Immediately upon registration with the Board, a CPA firm will be automatically included in the

Board's next QAR cycle for its initial attest review. After the firm's initial QAR review, the firm is required to participate in the QAR Program every three years unless additional participation is deemed appropriate due to an "Unacceptable" grade.

II. Exemption Requests - Independent Peer Review

Firms may request an exemption from the Board's QAR program if the firm has participated in a Board approved peer or quality review within the three years immediately preceding the date of Board request. The firm must submit a copy of an unmodified report, letter of comments (if applicable), response to the letter of comments (if applicable), and letter of acceptance from the reviewing organization. The Board's QAR Committee may request other documentation.

POLICY 2004-1 SANCTION AND PENALTY GUIDELINES

The Executive Director directs the Board's complaint processes, investigative activities and, case resolution negotiations. Upon receiving a complaint or otherwise becoming aware of a situation or condition that might constitute a violation of the Public Accountancy Act (Act) or Board rules, the Executive Director will make a preliminary assessment. The objective of this process is to administer the enforcement process in a fair and equitable manner and, when appropriate, seek settlement in lieu of a formal Board hearing. The Executive Director may request guidance from a Consulting Board Member and/or the assistance of the Prosecuting Assistant Attorney General at any time during the investigative and/or negotiation processes.

GLOSSARY

ETHICS: standards of professional conduct and business practices adhered to by professionals in order to enhance their profession and maximize idealism, justice and fairness when dealing with the public, clients and other members of their profession.

LAWS: bodies of rules governing members of a community, state, organization, professional, etc ... and enforced by authority or compelling legislation.

MORAL: an accepted rule or standard of human behavior.

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (PCAOB)

(www.pcaobus.com) established in 2002 as a result of the Sarbanes-Oxley Act, a private sector, non-profit corporation set up to oversee the audits of public companies and ensure that accountancy firms should no longer derive non-audit revenue streams, such as consultancy, from their audit clients.

SARBANES-OXLEY (SOX) ACT wide-ranging U.S. corporate reform legislation, coauthored by the Democrat in charge of the Senate Banking Committee, Paul Sarbanes, and Republican Congressman Michael Oxley. The Act, which became law in July 2002, lays down stringent procedures regarding the accuracy and reliability of corporate disclosures, places restrictions on auditors providing non-audit services and obliges top executives to verify their accounts personally. Section 409 is especially tough and requires that companies must disclose information on material changes in the financial condition or operations of the issuer on a rapid and current basis.