

of the Teachers' Retirement System and the Public Employees' Retirement System to regain credit for previous service. When members reenter service they have a number of years in which to restore their credits. An extension of that period would result in a significant increase in the liabilities of the pension systems, an increase which cannot be justified in light of the state's financial difficulties and the retirement systems' existing liabilities.

I have signed into law, however, provisions of the bill that require the state to notify employees, within 90 days of resuming service, of the date by which they must exercise their option to "buy back" into the retirement system, and the amount of money required to be paid.

With the exceptions of sections 1(2), 2(3), and 3, which I have vetoed, Substitute House Bill No. 126 is approved."

CHAPTER 234

[Substitute House Bill No. 646]

PUBLIC ACCOUNTANCY ACT

AN ACT Relating to public accounting; amending section 7, chapter 226, Laws of 1949 as amended by section 25, chapter 34, Laws of 1975-'76 2nd ex. sess. and RCW 18.04.080; amending section 31, chapter 226, Laws of 1949 and RCW 18.04.320; amending section 34, chapter 226, Laws of 1949 as amended by section 7, chapter 114, Laws of 1969 and RCW 18.04.350; amending section 35, chapter 226, Laws of 1949 and RCW 18.04.360; amending section 36, chapter 226, Laws of 1949 and RCW 18.04.370; amending section 37, chapter 226, Laws of 1949 and RCW 18.04.380; amending section 38, chapter 226, Laws of 1949 and RCW 18.04.390; adding new sections to chapter 18.04 RCW; adding a new section to chapter 43.131 RCW; creating new sections; repealing section 1, chapter 226, Laws of 1949 and RCW 18.04.020; repealing section 2, chapter 226, Laws of 1949 and RCW 18.04.030; repealing section 3, chapter 226, Laws of 1949 and RCW 18.04.040; repealing section 4, chapter 226, Laws of 1949 and RCW 18.04.050; repealing section 5, chapter 226, Laws of 1949 and RCW 18.04.060; repealing section 6, chapter 226, Laws of 1949, section 1, chapter 294, Laws of 1961 and RCW 18.04.070; repealing section 8, chapter 226, Laws of 1949 and RCW 18.04.090; repealing section 9, chapter 226, Laws of 1949, section 8, chapter 75, Laws of 1977 and RCW 18.04.100; repealing section 11, chapter 226, Laws of 1949, section 1, chapter 114, Laws of 1969, section 17, chapter 292, Laws of 1971 ex. sess., section 7, chapter 158, Laws of 1979 and RCW 18.04.120; repealing section 12, chapter 226, Laws of 1949 and RCW 18.04.130; repealing section 15, chapter 226, Laws of 1949, section 2, chapter 114, Laws of 1969, section 1, chapter 229, Laws of 1975 1st ex. sess. and RCW 18.04.160; repealing section 16, chapter 226, Laws of 1949 and RCW 18.04.170; repealing section 18, chapter 226, Laws of 1949 and RCW 18.04.190; repealing section 19, chapter 226, Laws of 1949, section 3, chapter 114, Laws of 1969, section 2, chapter 229, Laws of 1975 1st ex. sess., section 8, chapter 158, Laws of 1979 and RCW 18.04.200; repealing section 21, chapter 226, Laws of 1949, section 4, chapter 114, Laws of 1969, section 3, chapter 229, Laws of 1975 1st ex. sess., section 9, chapter 158, Laws of 1979 and RCW 18.04.220; repealing section 23, chapter 226, Laws of 1949 and RCW 18.04.240; repealing section 24, chapter 226, Laws of 1949 and RCW 18.04.250; repealing section 25, chapter 226, Laws of 1949 and RCW 18.04.260; repealing section 26, chapter 226, Laws of 1949 and RCW 18.04.270; repealing section 27, chapter 226, Laws of 1949, section 5, chapter 114, Laws of 1969, section 4, chapter 229, Laws of 1975 1st ex. sess. and RCW 18.04.280; repealing section 28, chapter 226, Laws of 1949, section 6, chapter 114, Laws of 1969, section 1, chapter 23, Laws of 1973 1st ex. sess., section 5, chapter 229, Laws of 1975 1st ex. sess., section 10, chapter 158, Laws of 1979 and RCW 18.04.290; repealing section 29, chapter 226, Laws of 1949, section 2, chapter 294, Laws of 1961, section 2, chapter 23, Laws of 1973 1st ex. sess. and RCW 18.04.300; repealing section 30, chapter 226, Laws of 1949 and RCW 18.04.310; repealing section 32, chapter 226, Laws of 1949 and RCW 18.04.330; repealing section 33, chapter 226, Laws of 1949 and RCW 18.04.340; repealing section 39, chapter 226, Laws of 1949 and RCW 18.04.400; repealing section 40, chapter 226, Laws of 1949 and

RCW 18.04.900; repealing section 2, chapter 223, Laws of 1982 and RCW 43.131.247; repealing section 6, chapter 223, Laws of 1982 and RCW 43.131.248; repealing section 4, chapter ..., Laws of 1983 and RCW ... (section 4 of this act); repealing section 5, chapter ..., Laws of 1983 and RCW ... (section 5 of this act); repealing section 6, chapter ..., Laws of 1983 and RCW ... (section 6 of this act); prescribing penalties; providing an effective date; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Sec. 1. This chapter may be cited as the public accountancy act of 1983.

NEW SECTION. Sec. 2. It is the policy of this state and the purpose of this chapter:

(1) 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

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

(a) Persons engaged in the practice of public accounting be qualified;

(b) A public authority competent to prescribe and assess the qualifications of public accountants be established;

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

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

NEW SECTION. Sec. 3. Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Board" means the board of accountancy created by section 4 of this act.

(2) "Certified public accountant" or "CPA" means a person holding a certified public accountant certificate issued under this chapter or the accountancy act of any state.

(3) "State" includes the states of the United States, the District of Columbia, Puerto Rico, Guam, and the United States Virgin Islands.

(4) "Opinions on financial statements" are any reports prepared by certified public accountants, based on examinations in accordance with generally accepted auditing standards 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.

(5) The "practice of public accounting" means performing services as one skilled in the knowledge and practice of public accounting and preparing reports designated as "audit reports," "review reports," and "compilation reports."

NEW SECTION. Sec. 4. (1) There is created a board of accountancy for the state of Washington to be known as the Washington board of accountancy. The board shall consist of five members appointed by the governor. Members of the board shall include four persons who hold certified public accountant certificates and have been in public practice as certified public accountants in this state continuously for the previous ten years. The fifth member shall be a person who is qualified to judge whether the qualifications, activities, and professional practice of those regulated under this chapter conform with standards to protect the public interest.

(2) The members of the board of accountancy existing immediately prior to the effective date of this act shall serve out their existing terms as members of the board created under this act. Thereafter, each member of the board shall be appointed by the governor to a term of three years. Their successors shall be appointed for terms 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 certificate or permit 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 two successive complete terms is eligible for reappointment. Appointment to fill an unexpired term is not considered a complete term.

NEW SECTION. Sec. 5. (1) The board shall annually elect a chairman, a vice chairman, and a secretary from its members. The board may adopt and amend rules under chapter 34.04 RCW for the orderly conduct of its affairs and for the administration of this chapter. A majority of the board constitutes a quorum for the transaction of business. The board shall have a seal which shall be judicially noticed. 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. The board may employ personnel and arrange for assistance as it requires to perform its duties.

(2) Each member of the board shall receive compensation as provided under RCW 18.04.080.

(3) 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 and a listing of all certified public accountants who are registered, or who have offices registered, or permits to practice issued under this chapter. Upon request, the board shall mail a copy of each annual report to any person, office, partnership, or corporation listed, or to any member of the public.

NEW SECTION. Sec. 6. 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 to establish and maintain high standards of competence and integrity in the profession;

(3) Educational requirements for the issuance of the certificate of certified public accountant;

(4) Rules designed to ensure that certified public accountants' "opinions on financial statements" meet the definitional requirements for that term as specified in section 3 of this act;

(5) Requirements for continuing education to maintain or improve the professional competence of permit holders to practice under section 11 of this act as a condition to their continuing in the practice of public accounting;

(6) Regulations governing sole proprietors, partnerships, and corporations practicing public accounting including, but not limited to, rules concerning their style, name, title, and affiliation with any other organization, and establishing reasonable practice standards to protect the public interest; and

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

NEW SECTION. Sec. 7. (1) The certificate of "certified public accountant" shall be granted by the board to any person:

(a) Who is of good character;

(b) Who has a baccalaureate degree conferred by a college or university recognized by the board, and whose educational program included an accounting concentration or its equivalent, and related subjects the board determines to be appropriate; and

(c) Who has passed a written examination in accounting, auditing, and related subjects the board determines to be appropriate.

(2) The board may, in its discretion, waive the educational requirement for any person if it is satisfied, by appropriate means of evaluation, that the person's educational qualifications are an acceptable substitute for the requirements of subsection (1)(b) of this section.

(3) The examination described in subsection (1)(c) of this section shall be held by the board and shall take place as often as the board determines to be desirable, but at least once a year. The board may use all or any part of the examination and grading service of the American Institute of Certified Public Accountants to assist it in performing its duties under this chapter.

(4) A person who has met the educational requirements of subsection (1)(b) of this section, or who expects to meet it within one hundred twenty days following the examination, or with respect to whom it has been waived

under subsection (2) of this section, is eligible to take the examination if the person also meets the requirements of subsection (1)(a) of this section. If a person is admitted to the examination on the expectation that he or she will complete the educational requirement within one hundred twenty days, no certificate may be issued, nor credit for the examination or any part of it be given, unless this requirement is in fact completed within that time or within such time as the board in its discretion may determine upon application.

(5) The board may, by rule, provide for granting credit to a person for satisfactory completion of a written examination in any one or more of the subjects specified in subsection (1)(c) of this section given by the licensing authority in any other state. These rules shall include requirements the board determines to be appropriate in order that any examination approved as a basis for any credit shall, in the judgment of the board, be at least as thorough as the most recent examination given by the board at the time credit is granted.

The board may, by rule, prescribe the terms and conditions under which a person who passes the examination in one or more of the subjects indicated in subsection (1)(c) of this section may be reexamined in only the remaining subjects, giving credit for the subjects previously passed. It may also provide by rule for a reasonable waiting period for a person's reexamination in a subject he or she has failed. A person is entitled to any number of reexaminations, subject to this subsection and any other rules adopted by the board.

A person passing the examination in any one or more subjects specified in subsection (1)(c) of this section shall meet the educational requirements of subsection (1)(b) of this section in effect on the date the person successfully completes the requirements of subsection (1)(c) of this section. The board may provide, by rule, for exceptions to prevent what it determines to be undue hardship to applicants.

(6) The board shall charge each applicant an examination fee for the initial examination under subsection (1) of this section, or for reexamination under subsection (5) of this section for each subject in which the applicant is reexamined, or for evaluation of a person's educational qualifications under subsection (2) of this section. 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 general fund an account to be known as the certified public accountant examination account. All fees received from candidates to take any or all sections of the certified public accountant examination shall be deposited by the board into this account, and funds appropriated from the account shall be used only for costs directly related to the examination.

(7) Persons who on the effective date of this act held certified public accountant certificates previously issued under the laws of this state shall not be required to obtain additional certificates under this chapter, but shall otherwise be subject to this chapter. Certificates previously issued shall, for all purposes, be considered certificates issued under this chapter and subject to its provisions.

(8)(a) Persons who on the effective date of this act hold registrations as licensed public accountants and annual permits to practice previously issued under the laws of this state shall be entitled to practice public accounting and be known as certified public accountants and to use the designation "CPA" provided that these persons continue to hold permits to practice under this chapter.

(b) Persons who held qualifications as licensed public accountants but who do not hold annual permits to practice on the effective date of this act are not entitled to engage in the practice of public accounting under this chapter unless they meet the requirements imposed by this chapter for certified public accountants. These persons shall not use the term "licensed public accountants" or the designation "LPA."

NEW SECTION. Sec. 8. (1) Application for certification as certified public accountants by persons who are not residents of this state constitutes appointment of the secretary of state as an agent for service of process in any action or proceeding against the applicants arising from any transaction, activity, or operation connected with or incidental to the practice of public accounting in this state by nonresident holders of certified public accountant certificates.

(2) Application for a biennial permit to practice public accounting in this state by a certified public accountant who holds a 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 biennial permit to practice.

NEW SECTION. Sec. 9. (1) A partnership engaged in this state in the practice of public accounting shall register with the board as a partnership of certified public accountants, and shall meet the following requirements:

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

(b) At least one general partner of the partnership shall be a certified public accountant holding a permit to practice under section 11 of this act;

(c) Each resident manager in charge of an office of the partnership in this state and each resident partner personally engaged within this state in

the practice of public accounting as a member in the office shall be a certified public accountant holding a permit to practice under section 11 of this act.

(2) A corporation organized for the practice of public accounting and engaged in this state in the practice of public accounting shall register with the board as a corporation of certified public accountants and shall meet the following requirements:

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

(b) Each shareholder of the corporation shall be a certified public accountant of some state holding a permit to practice and shall be principally employed by the corporation or actively engaged in its business. No other person may have any interest in the stock of the corporation. The principal officer of the corporation and any officer or director having authority over the practice of public accounting by the corporation shall be a certified public accountant of some state holding a permit to practice;

(c) At least one shareholder of the corporation shall be a certified public accountant holding a permit to practice under section 11 of this act;

(d) Each resident manager in charge of an office of the corporation in this state and each shareholder or director personally engaged within this state in the practice of public accounting shall be a certified public accountant holding a permit to practice under section 11 of this act;

(e) 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; and

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

(3) Application for registration of a partnership or corporation shall be made upon the affidavit of a general partner or shareholder who is a certified public accountant holding a permit to practice under section 11 of this act. The board shall determine in each case whether the applicant is eligible for registration. A partnership or corporation which is so registered and which holds a permit to practice under section 11 of this act may use the designation "certified public accountants" or "CPAs" in connection with its partnership or corporate name. The board shall be given notification within thirty days after the admission or withdrawal of a partner or shareholder

engaged in this state in the practice of public accounting from any partnership or corporation so registered.

(4) Fees for the registration of partnerships or corporations and for notification of the board of the admission or withdrawal of a partner or shareholder shall be determined by the board. Fees shall be paid by the applicant at the time the registration form or notice of admission or withdrawal of a partner or shareholder is filed with the board.

NEW SECTION. Sec. 10. (1) Each office established or maintained in this state for the practice of public accounting in this state by a certified public accountant, or a partnership or corporation of certified public accountants, shall register with the board under this chapter biennially.

Each office shall be under the direct supervision of a resident manager holding a permit to practice under section 11 of this act who may be either a principal shareholder, or a staff employee.

(2) The board shall by rule prescribe the procedure to be followed to register and maintain offices established in this state for the practice of public accounting.

(3) 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.

NEW SECTION. Sec. 11. (1) Biennial permits to engage in the practice of public accounting in this state shall be issued by the board:

(a) To certified public accountants who have demonstrated, in accordance with rules issued by the board, one year of public accounting experience, or such other experience or employment which the board in its discretion regards as substantially equivalent;

(b) To partnerships and corporations registered under section 9 of this act, if all offices of the partnerships and corporations in this state are maintained and registered as required under section 10 of this act.

All permits to practice for persons born in an even-numbered year expire on the last day of June 1984 shall be for one year and may be renewed for a period of two years. All permits to practice for persons born in an odd-numbered year expire on the last day of June 1985 shall be for two years and may be renewed for a period of two years. Renewals of permits to practice issued to individuals under subsection (1) (a) or (b) of this section shall be issued in accordance with subsection (3) of this section. Applicants for issuance or renewal of permits shall, at the time of filing their applications, list with the board all states in which they hold or have applied for permits to practice.

(2) A certified public accountant who holds a permit issued by another state and applies for a permit in this state may practice accounting in this state from the date of filing a completed application with the board until the board has acted upon the application.

(3) As a prerequisite to renewal of a permit, a person practicing public accounting shall submit to the Washington state board of accountancy satisfactory proof of having completed ten days or an accumulation of eighty hours of continuing education recognized and approved by the board during the preceding two years. Failure to furnish this evidence as required constitutes grounds for revocation, suspension, or refusal to renew the permit in a proceeding under section 12 of this act, unless the board determines the failure to have been due to reasonable cause or excusable neglect.

The board, in its discretion, may renew a biennial permit to practice despite failure to furnish evidence of compliance with requirements of continuing education upon condition that the applicant follow a particular program of continuing education. In issuing rules and individual orders with respect to continuing education 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 shall take into account the accessibility of continuing education to applicants and instances of individual hardship.

(4) Fees for biennial permits to engage in the practice of public accounting in this state shall be determined by the board under chapter 18.04 RCW. Fees shall be paid by the applicant at the time the registration form is filed with the board.

***NEW SECTION.** Sec. 12. After notice and hearing as provided in RCW 18.04.320, the board may revoke or suspend any certificate issued under section 7 of this act, or may revoke, suspend, or refuse to renew any permit to practice, or may censure the holder of a permit for one or a combination of the following causes:

(1) Fraud or deceit in obtaining a certificate as a certified public accountant, or in obtaining registration under this act, or in obtaining a permit to practice public accounting under section 11 of this act;

(2) Dishonesty, fraud, or gross negligence in the practice of public accounting;

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

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

(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 continuing education in the other state;

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

(8) *Conduct disparaging to the public accounting profession.*

*Sec. 12 was partially vetoed, see message at end of chapter.

NEW SECTION. Sec. 13. After notice and hearing under RCW 18.04.320, the board shall revoke the registration issued to a partnership or corporation under section 9 of this act and permit to practice issued to a partnership or corporation under section 11 of this act if at any time the partnership or corporation does not have all the qualifications prescribed under this chapter for registration. After notice and hearing as provided in RCW 18.04.320, the board may revoke or suspend the registration of a partnership or corporation, may revoke, suspend, or refuse to renew its permit to practice for any of the causes enumerated in section 12 of this act or for any of the following additional causes:

(1) The revocation or suspension of the certificate as a certified public accountant or the revocation or suspension or refusal to renew the permit of any partner or shareholder; or

(2) The cancellation, revocation, suspension, or refusal to renew the authority of the partnership or corporation, or any partner or shareholder thereof, to practice public accounting in 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.

*Sec. 14. Section 31, chapter 226, Laws of 1949 and RCW 18.04.320 are each amended to read as follows:

(1) Proceedings for the revocation or suspension of the certificate (~~(license)~~), permit, or registration of any person ((or)), partnership, or corporation may be initiated by the board on its own motion ((or by the filing with the board of a statement of charges sworn to by the person making the charges)), on the complaint of any person, or on receiving notification from another state board of accountancy of its decision to:

(a) Revoke or suspend practice privileges granted in that state to a holder of a certified public accountant certificate or a public accountant registrant of that state; or

(b) Revoke, suspend, refuse to renew, or censure the holder of a permit to practice in that state who holds a permit to practice under section 11 of this 1983 act;

(2) Unless the charge or charges (~~(be)~~) are dismissed by the board as unfounded or trivial, the board shall set a date for hearing not later than ninety days after ~~((the proceedings are initiated))~~ formal charges are filed. A copy of the charge or charges, together with a notice of the time and place of hearing before the board shall be served not less than thirty days prior to the date set for hearing on the accused either personally or by mailing a copy thereof by registered mail to the address of the accused last

known to the board (~~((not less than thirty days prior to the date set for the hearing))~~);

(3) If after having been so served with a notice of hearing, the accused fails to appear at ~~((said))~~ the hearing, the board may proceed to hear evidence against him and may enter such order as may be justified by the evidence, which ~~((order))~~ shall be final unless the accused petitions for a review thereof (~~(: PROVIDED, HOWEVER, That)~~). Within thirty days from the date of any such order upon a showing of good cause for failing to appear, the board may reopen ((said)) the proceedings and may permit the accused to submit evidence in his or her behalf;

(4) At any hearing the accused may appear in person and by counsel, may produce evidence and witnesses on his or her own behalf, and may cross-examine such witnesses as may appear against him. A partnership may be represented before the board by counsel or by a partner. A corporation may be represented before the board by counsel or by a shareholder. The accused shall be entitled on application to the board to the issuance of subpoenas to compel the attendance of witnesses and the production of evidence on his or her behalf;

(5) The board, or any member thereof, may issue subpoenas to compel the attendance of witnesses and the production of documents, and may administer oaths, take testimony, hear proofs, and receive exhibits in evidence in connection with or upon hearing under this chapter. ~~((In case of disobedience))~~ To compel obedience to a subpoena the board may invoke the aid of any court of this state in requiring the attendance and testimony of witnesses and the production of documentary evidence;

(6) The board shall not be bound by technical rules of evidence;

(7) ~~((The director of licensing shall revoke or suspend any certificate, license, or registration issued or permitted under this chapter, upon the order of the board, adopted by a majority of the whole board after proceedings under this section; and))~~ A stenographic record of the hearings shall be kept and a transcript thereof filed with the board;

(8) At all hearings, the attorney general of this state or other legal counsel as may be employed shall appear and represent the board;

(9) The decision of the board shall be by majority vote;

(10) Any person adversely affected by any action of the board may obtain a review thereof by filing a written petition for review in the superior court of the county in which he resides within thirty days after the entry of such order. A copy of the petition shall be served upon any member of the board and thereupon the board shall certify and file in the court a transcript of the record upon which the order complained of was entered. The court will hear the matter de novo, and may sustain, modify, or set aside the board's order in whole or in part, or may remand the matter to the board for further action, and may, in its discretion, stay the effect of the board's

order pending its determination of the case. The court's decision ((~~shall have~~)) has the force and effect of a decree in equity((-)); and

(1) On rendering a decision to: (a) Revoke or suspend a certificate issued under section 7 of this 1983 act; (b) revoke or suspend a registration issued under section 9 of this 1983 act; or (c) revoke, suspend, refuse to renew, or censure the holder of a permit to practice under section 11 of this 1983 act, the board shall examine its records to determine whether the accused holds a certificate, a registration, or a permit or annual limited permit to practice in any other state. If the board determines that the accused holds a certificate, or a registration in any other state, the board shall notify the board of accountancy of the other state of its decision by mail within thirty days of rendering the decision.

*Sec. 14 was partially vetoed, see message at end of chapter.

NEW SECTION. Sec. 15. Upon application in writing and after hearing pursuant to notice, the board may:

(1) Reissue a certificate to a certified public accountant whose certificate has been revoked or suspended; or

(2) Modify the suspension of or reissue any permit to practice which has been revoked, suspended, or which the board has refused to renew.

NEW SECTION. Sec. 16. (1) 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 has received a certificate as a certified public accountant, holds a valid permit to practice under section 11 of this act, and all of the person's offices in this state for the practice of public accounting are maintained and registered under section 10 of this act.

(2) No partnership or corporation may hold itself 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 partnership or corporation is composed of certified public accountants or CPAs, unless the partnership or corporation is registered as a partnership or corporation of certified public accountants under section 9 of this act, holds a valid permit to practice under section 11 of this act, and all offices of the partnership or corporation in this state for the practice of public accounting are maintained and registered under section 10 of this act.

(3) No person, partnership, or corporation 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," "enrolled accountant," "licensed accountant," "registered accountant," "accredited accountant," "public accountant," or any other title or designation likely to be confused with

"certified public accountant" or any of the abbreviations "CA," "EA," "RA," "LA," "AA," or "PA," or similar abbreviations likely to be confused with "CPA." However, nothing in this chapter prohibits use of the title "accountant" by any person regardless of whether the person has been granted a certificate or holds a permit under this chapter.

(4) 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 biennial permit to practice under section 11 of this act and all of the person's offices in this state for the practice of public accounting are maintained and registered under section 10 of this act.

(5) No person may sign, affix, or associate a partnership or corporate name to any report designated as an "audit," "review," or "compilation," unless the partnership or corporation is registered under section 9 of this act, holds a permit to practice under section 11 of this act, and all of its offices in this state for the practice of public accounting are maintained and registered under section 10 of this act.

(6) No person, partnership, or corporation not holding a permit to practice under section 11 of this act 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.

(7) Nothing contained in this chapter prohibits any person who is the holder of a valid certified public accountant certificate from assuming or using the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, sign, card, or device tending to indicate that the person is a certified public accountant.

(8) No person may assume or use the designation "certified public accountant" or "CPA" in conjunction with names indicating or implying that there is a partnership or corporation, or in conjunction with the designation "and Company" or "and Co." or a similar designation, if there is in fact no bona fide partnership or corporation registered under section 9 of this act.

(9) No person, partnership, or corporation holding a permit under section 11 of this act may hold himself, herself, or itself out to the public in conjunction with the designation "and Associates" or "and Assoc." unless he or she has in fact a partner or employee who holds a permit under section 11 of this act.

(10) No person, partnership, or corporation may hold himself, herself, or itself out to the public for the practice of public accounting unless the person, partnership, or corporation holds a permit to practice under section 11 of this act and all of his or its offices in this state are maintained and registered under section 10 of this act.

Sec. 17. Section 34, chapter 226, Laws of 1949 as amended by section 7, chapter 114, Laws of 1969 and RCW 18.04.350 are each amended to read as follows:

(1) Nothing ~~((contained))~~ in this chapter ~~((18.04 RCW shall))~~ prohibits any person not a certified public accountant ~~((or licensed public accountant, or a registered public accountant))~~ from serving as an employee of, or as assistant to, a certified public accountant ~~((or licensed public accountant or public accountant))~~ or partnership composed of certified public accountants ~~((or licensed public accountants))~~ or corporation of certified public accountants holding a valid permit ~~((to practice))~~ under ~~((RCW 18.04.290 as now or hereafter amended. PROVIDED, That such))~~ section 11 of this 1983 act. However, the employee or assistant shall not issue any accounting or financial statement over his or her name.

(2) Nothing in this chapter ~~((18.04 RCW shall))~~ prohibits a certified public accountant ~~((or a licensed public accountant, or a public accountant))~~ registered in another state, or any accountant of a foreign country holding a certificate, degree or license which permits him to practice therein from temporarily practicing in this state on professional business incident to his regular practice.

~~((Nothing in this chapter 18.04 RCW shall prohibit a candidate for a certificate as a certified public accountant, who has passed the entire examination given by the examining committee as provided in RCW 18.04.120 as now or hereafter amended, from engaging in practice as a public accountant for the period of time necessary to acquire the experience required before such a certificate may be issued, provided such person holds a valid permit to practice issued under RCW 18.04.290 as now or hereafter amended.~~

~~Nothing contained in this chapter 18.04 RCW shall prohibit any corporation which at the effective date of this chapter has been legally organized in the state of Washington or authorized to do business therein or has engaged in the practice of public bookkeeping and accounting for a period of at least three years prior to such effective date of chapter 18.04 RCW as originally constituted in 1949, from continuing such practice under its corporate form and arrangement.~~

~~Corporations continuing to practice under this authority shall register annually as provided in RCW 18.04.290 as now or hereafter amended:))~~ (3) Nothing in this chapter prohibits a certified public accountant, a partnership, or corporation of certified public accountants, or any of their employees from disclosing any data in confidence to other certified public accountants, peer review teams, partnerships, or corporations of public accountants engaged in conducting peer reviews, or any one of their employees in connection with 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 certified public accountant, a partnership, or corporation of certified public accountants, 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 of accountancy, or any of its employees or committees in connection with a professional ethics investigation held under the auspices of recognized professional associations or the board of accountancy.

(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 partnership or corporation composed of persons not holding a permit under section 11 of this 1983 act from offering or rendering to the public bookkeeping, accounting, and tax services, including devising and installing systems, financial information or data, or preparing financial statements, written statements describing how such financial statements were prepared, or similar services, provided that persons, partnerships, or corporations not holding a permit under section 11 of this 1983 act 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.

Sec. 18. Section 35, chapter 226, Laws of 1949 and RCW 18.04.360 are each amended to read as follows:

((Whenever)) 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 ((RCW 18.04.340)) 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.

Sec. 19. Section 36, chapter 226, Laws of 1949 and RCW 18.04.370 are each amended to read as follows:

Any person who violates any provision of ((RCW 18.04.340)) this chapter, shall be guilty of a misdemeanor, and upon conviction thereof, shall

be subject to a fine of not more than ~~((five hundred))~~ one thousand dollars, or to imprisonment for not more than six months, or to both such fine and imprisonment. 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. 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.

Sec. 20. Section 37, chapter 226, Laws of 1949 and RCW 18.04.380 are each amended to read as follows:

The display or ~~((uttering))~~ 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, or "licensed public accountant" or any abbreviation thereof, or "public accountant" or any abbreviation thereof, shall be prima facie evidence in any action brought under ~~((RCW 18.04.360 and 18.04.370))~~ this chapter that the person whose name is so displayed, caused or procured the display or ~~((uttering))~~ presentation of ~~((such))~~ the card, sign, advertisement, or other printed, engraved, or written instrument or device, and that ~~((such))~~ the person is holding himself or herself out to be a certified public accountant ~~((or a licensed public accountant))~~ or a public accountant holding a permit to practice under ~~((RCW 18.04.290))~~ this chapter. In any such action, evidence of the commission of a single act prohibited by this chapter ~~((shall be))~~ is sufficient to justify an injunction or a conviction without evidence of a general course of conduct.

Sec. 21. Section 38, chapter 226, Laws of 1949 and RCW 18.04.390 are each amended to read as follows:

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

(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 accountant or corporation, or any combined or merged partnership or corporation, or successor in interest to the partnership or corporation.

Sec. 22. Section 7, chapter 226, Laws of 1949 as amended by section 25, chapter 34, Laws of 1975-'76 2nd ex. sess. and RCW 18.04.080 are each amended to read as follows:

Each member of the board shall be paid (~~(twenty-five)~~) forty-four dollars for each day or portion thereof spent in the discharge of his official duties 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 as now existing or hereafter amended.

NEW SECTION. Sec. 23. (1) A certified public accountant, a partnership or corporation of certified public accountants, 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 (2) and (3) in connection with peer reviews and ethics investigations.

(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 or of the United States to subpoena and use such information in connection with any investigation, public hearing, or other proceeding, nor shall this section be construed as prohibiting a 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.

NEW SECTION. Sec. 24. The board shall set its fees at a level adequate to pay the costs of administering this chapter.

NEW SECTION. Sec. 25. All reports, documents, surveys, books, records, files, papers, or written material in the possession of the board of accountancy existing immediately prior to the effective date of this act shall be delivered to the custody of the board of accountancy created by this act. All cabinets, furniture, office equipment, motor vehicles, and other tangible property used by the board of accountancy of the state of Washington shall be made available to the Washington board of accountancy. All funds, credits, or other assets held by the board of accountancy of the state of Washington shall be assigned to the Washington board of accountancy.

Any appropriations made to the board of accountancy of the state of Washington shall, on the effective date of this act, be transferred and credited to the Washington board of accountancy.

Whenever any question arises as to the transfer of any personnel, funds, including unexpended balances within any accounts, books, documents, records, papers, files, equipment, or any other tangible property used or held

in the exercise of the powers and the performance of the duties and functions transferred, the director of financial management shall make a determination as to the proper allocation and certify the same to the state agencies concerned.

NEW SECTION. Sec. 26. All employees of the board of accountancy of the state of Washington are transferred to the jurisdiction of the Washington board of accountancy. All employees classified under chapter 41.06 RCW, the state civil service law, are assigned to the Washington board of accountancy to perform their usual duties upon the same terms as formerly, without any loss of rights, subject to any action that may be appropriate thereafter in accordance with the laws and rules governing state civil service.

NEW SECTION. Sec. 27. The transfer of the powers, duties, functions, and personnel of the board of accountancy of the state of Washington shall not affect the validity of any act performed by an employee prior to the effective date of this act.

NEW SECTION. Sec. 28. All rules and all pending business before the board of accountancy of the state of Washington shall be continued and acted upon by the Washington board of accountancy. All existing contracts and obligations shall remain in full force and effect and shall be performed by the Washington board of accountancy.

NEW SECTION. Sec. 29. If apportionments of budgeted funds are required because of the transfers directed by sections 25 through 27 of this act, the director of financial management shall certify the apportionments to the agencies affected, the state auditor, and the state treasurer. Each of these shall make the appropriate transfer and adjustments in funds and appropriation accounts and equipment records in accordance with the certification.

NEW SECTION. Sec. 30. There is added to chapter 43.131 RCW a new section to read as follows:

(1) The board of accountancy and its powers and duties shall be terminated on June 30, 1986, as provided in section 31 of this act.

(2) The program and fiscal review conducted under RCW 43.131.247, which is repealed in section 32 of this act, shall continue with respect to the board of accountancy created in sections 4, 5, and 6 of this act.

NEW SECTION. Sec. 31. The following acts or parts of acts as now or hereafter amended are each repealed effective June 30, 1987:

(1) Section 4, chapter ..., Laws of 1983 and RCW ... (section 4 of this act);

(2) Section 5, chapter ..., Laws of 1983 and RCW ... (section 5 of this act); and

(3) Section 6, chapter ..., Laws of 1983 and RCW ... (section 6 of this act).

NEW SECTION. Sec. 32. The following acts or parts of acts are each repealed:

- (1) Section 1, chapter 226, Laws of 1949 and RCW 18.04.020;
- (2) Section 2, chapter 226, Laws of 1949 and RCW 18.04.030;
- (3) Section 3, chapter 226, Laws of 1949 and RCW 18.04.040;
- (4) Section 4, chapter 226, Laws of 1949 and RCW 18.04.050;
- (5) Section 5, chapter 226, Laws of 1949 and RCW 18.04.060;
- (6) Section 6, chapter 226, Laws of 1949, section 1, chapter 294, Laws of 1961 and RCW 18.04.070;
- (7) Section 8, chapter 226, Laws of 1949 and RCW 18.04.090;
- (8) Section 9, chapter 226, Laws of 1949, section 8, chapter 75, Laws of 1977 and RCW 18.04.100;
- (9) Section 11, chapter 226, Laws of 1949, section 1, chapter 114, Laws of 1969, section 17, chapter 292, Laws of 1971 ex. sess., section 7, chapter 158, Laws of 1979 and RCW 18.04.120;
- (10) Section 12, chapter 226, Laws of 1949 and RCW 18.04.130;
- (11) Section 15, chapter 226, Laws of 1949, section 2, chapter 114, Laws of 1969, section 1, chapter 229, Laws of 1975 1st ex. sess. and RCW 18.04.160;
- (12) Section 16, chapter 226, Laws of 1949 and RCW 18.04.170;
- (13) Section 18, chapter 226, Laws of 1949 and RCW 18.04.190;
- (14) Section 19, chapter 226, Laws of 1949, section 3, chapter 114, Laws of 1969, section 2, chapter 229, Laws of 1975 1st ex. sess., section 8, chapter 158, Laws of 1979 and RCW 18.04.200;
- (15) Section 21, chapter 226, Laws of 1949, section 4, chapter 114, Laws of 1969, section 3, chapter 229, Laws of 1975 1st ex. sess., section 9, chapter 158, Laws of 1979 and RCW 18.04.220;
- (16) Section 23, chapter 226, Laws of 1949 and RCW 18.04.240;
- (17) Section 24, chapter 226, Laws of 1949 and RCW 18.04.250;
- (18) Section 25, chapter 226, Laws of 1949 and RCW 18.04.260;
- (19) Section 26, chapter 226, Laws of 1949 and RCW 18.04.270;
- (20) Section 27, chapter 226, Laws of 1949, section 5, chapter 114, Laws of 1969, section 4, chapter 229, Laws of 1975 1st ex. sess. and RCW 18.04.280;
- (21) Section 28, chapter 226, Laws of 1949, section 6, chapter 114, Laws of 1969, section 1, chapter 23, Laws of 1973 1st ex. sess., section 5, chapter 229, Laws of 1975 1st ex. sess., section 10, chapter 158, Laws of 1979 and RCW 18.04.290;
- (22) Section 29, chapter 226, Laws of 1949, section 2, chapter 294, Laws of 1961, section 2, chapter 23, Laws of 1973 1st ex. sess. and RCW 18.04.300;
- (23) Section 30, chapter 226, Laws of 1949 and RCW 18.04.310;
- (24) Section 32, chapter 226, Laws of 1949 and RCW 18.04.330;
- (25) Section 33, chapter 226, Laws of 1949 and RCW 18.04.340;

- (26) Section 39, chapter 226, Laws of 1949 and RCW 18.04.400;
 (27) Section 40, chapter 226, Laws of 1949 and RCW 18.04.900;
 (28) Section 2, chapter 223, Laws of 1982 and RCW 43.131.247; and
 (29) Section 6, chapter 223, Laws of 1982 and RCW 43.131.248.

NEW SECTION. Sec. 33. Sections 2 through 13, 15, 16, and 23 through 29 of this act are each added to chapter 18.04 RCW.

NEW SECTION. Sec. 34. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 35. 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.

Passed the House April 19, 1983.

Passed the Senate April 14, 1983.

Approved by the Governor May 17, 1983, with the exception of section 12(8), new language in section 14(7), and section 14(8), which are vetoed.

Filed in Office of Secretary of State May 17, 1983.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to section 12(8), new language in section 14(7), and section 14(8), Substitute House Bill No. 646, entitled: "AN ACT Relating to public accounting."

Section 12(8) would allow disciplinary action against Certified Public Accountants for "conduct disparaging to the public accounting profession." This standard is too vague to set in motion disciplinary action.

The new language added to section 14(7) would require a stenographic record of Board hearings and transcripts filed with the Board. This requirement exceeds the normal requirements contained in the Administrative Procedures Act.

Section 14(8) would allow the Board of Accountancy to employ outside counsel to represent it at appeals hearings. This would be contrary to the established policy that the Attorney General represent state agencies.

With the exceptions of these sections, Substitute House Bill No. 646 is approved."

CHAPTER 235

[Senate Bill No. 4204]

HEALTH PLANNING—CERTIFICATE OF NEED PROGRAM—REVISIONS— STATE BOARD OF HEALTH TERMINATION POSTPONED

AN ACT Relating to the state board of health; amending section 1, chapter 161, Laws of 1979 ex. sess. as amended by section 1, chapter 139, Laws of 1980 and RCW 70.38.015; amending section 2, chapter 161, Laws of 1979 ex. sess. as last amended by section 1, chapter 119, Laws of 1982 and RCW 70.38.025; amending section 3, chapter 161, Laws of 1979 ex. sess. and RCW 70.38.035; amending section 4, chapter 161, Laws of 1979 ex.