

appear to be to require the delivery of securities to control of the local entity. However, failure to define the term "agent" renders this section meaningless and extraneous to the legislation. Therefore, I am vetoing section 10.

The last portion of section 6 after the word "Provided" is vetoed. This language conflicts with provisions of section 14 and would create confusion in the administration of the Act.

With the exception of a portion of section 6 and all of section 10, Substitute Senate Bill 4590 is approved."

CHAPTER 295

[Engrossed Senate Bill No. 4725]

BOARD OF ACCOUNTANCY—CERTIFIED PUBLIC ACCOUNTANTS— REVISIONS

AN ACT Relating to accountancy; amending RCW 18.04.025, 18.04.035, 18.04.045, 18.04.055, 18.04.065, 18.04.105, 18.04.185, 18.04.195, 18.04.205, 18.04.215, 18.04.295, 18.04.305, 18.04.320, 18.04.335, 18.04.345, 18.04.350, 18.04.380, 18.04.390, 18.04.405, 18.04.901, and 18.04.920; decodifying RCW 18.04.930, 18.04.931, 18.04.932, 18.04.933, and 18.04.934; repealing RCW 43.131.311 and 43.131.312; declaring an emergency; and providing an effective date.

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

Sec. 1. Section 3, chapter 234, Laws of 1983 and RCW 18.04.025 are each amended to read as follows:

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) "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."

(6) "Firm" means a sole proprietorship, a corporation, or a partnership.

(7) "CPE" means continuing professional education.

(8) "Certificate" means a certificate as a certified public accountant issued under this chapter, or a corresponding certificate issued by another state.

(9) "Licensee" means the holder of a certificate who also holds a valid license issued under this chapter.

(10) "License" means a biennial license issued to an individual or firm under this chapter.

(11) "Quality assurance review" means a study, appraisal, or review of one or more aspects of the professional work of a person or firm in the practice of public accountancy, by a person or persons who hold certificates and who are not affiliated with the person or firm being reviewed.

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

Sec. 2. Section 4, chapter 234, Laws of 1983 and RCW 18.04.035 are each amended to read as follows:

(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 the public member and 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 July 1, 1983, 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))~~ 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 two successive complete terms is eligible for reappointment. Appointment to fill an unexpired term is not considered a complete term.

Sec. 3. Section 5, chapter 234, Laws of 1983 and RCW 18.04.045 are each amended to read as follows:

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

(2) 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.

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

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

(5) 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.

(6) The board may employ personnel and arrange for assistance as it requires to perform its duties. Individuals or committees assisting the board under this subsection (6) constitute volunteers for purposes of chapter 4.92 RCW.

~~((2))~~ (7) Each member of the board shall receive compensation as provided under RCW 18.04.080.

~~((3))~~ (8) 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.

Sec. 4. Section 6, chapter 234, Laws of 1983 and RCW 18.04.055 are each amended to read as follows:

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 to set for an examination or for the issuance of the certificate or license 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 RCW 18.04.025;

(5) Requirements for continuing professional education to maintain or improve the professional competence of ~~((permit))~~ certificate and license holders ((to practice under RCW 18.04.215)) as a condition to maintaining their ((continuing in the practice of public accounting)) certificate or license to practice under RCW 18.04.215;

(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) 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, National Association of State Boards of Accountancy, or other programs recognized and approved by the board by rule.

(8) The board may by rule require firms to obtain professional liability insurance if in the board's discretion such insurance provides additional and necessary protection for the public; and

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

***Sec. 5. Section 24, chapter 234, Laws of 1983 and RCW 18.04.065 are each amended to read as follows:**

The board shall set its fees at a level adequate to pay the costs of administering this chapter. All fees shall be deposited into an account in the state treasury known as the certified public accountants' account.

***Sec. 5 was vetoed, see message at end of chapter.**

Sec. 6. Section 7, chapter 234, Laws of 1983 as amended by section 3, chapter 57, Laws of 1985 and RCW 18.04.105 are each amended to read as follows:

(1) The certificate of "certified public accountant" 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 certificate 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 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 certificate 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 ((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)) met such educational standards established by rule as 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))~~ or grading service of the American Institute of Certified Public Accountants or National Association of State Boards of Accountancy 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))~~ (3) 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.

(4) 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.

(5) 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))~~ (4) 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 state treasury an account to be known as the certified public accountants' (~~(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. All earnings of investments of balances in the certified public accountants' (~~(examination)~~) account shall be credited to the general fund.

(7) Persons who on (~~(July 1, 1983)~~) June 30, 1986, 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 July 1, 1983, 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 July 1, 1983, 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)~~) No person(~~(s)~~) shall (~~(not)~~) use the term "licensed public accountant(~~(s)~~)" or the designation "LPA."

(9) A certificate of a "certified public accountant" under this chapter is issued on a biennial basis with renewal subject to requirements of continuing professional education and payment of fees, prescribed by the board.

(10) The board shall adopt rules providing for continuing professional education for certified public accountants. The rules shall:

(a) Provide that a certified public accountant holding a certificate on the effective date of this act shall verify to the board that he or she has completed at least ten days or an accumulation of eighty hours of continuing professional education during the last two-year period to maintain the certificate;

(b) Establish continuing professional education requirements;

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

(d) Establish proceedings for revocation, suspension, and reinstatement of certificates for failure to meet the continuing professional education requirement.

(1) Failure to furnish verification of the completion of the continuing professional education requirement constitutes grounds for revocation, suspension, or failure to renew the certificate, unless the board determines that the failure was due to reasonable cause or excusable neglect.

Sec. 7. Section 8, chapter 234, Laws of 1983 and RCW 18.04.185 are each amended to read as follows:

(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~~)) 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 biennial ((~~permit~~)) license to practice.

Sec. 8. Section 9, chapter 234, Laws of 1983 and RCW 18.04.195 are each amended to read as follows:

(1) A sole proprietorship engaged in this state in the practice of public accounting shall license biennially with the board as a firm.

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

(b) The person shall be a certified public accountant holding a license to practice under RCW 18.04.215.

(c) Each resident licensee in charge of an office of the sole proprietorship engaged in this state in the practice of public accounting shall be a certified public accountant holding a license to practice under RCW 18.04.215.

(2) A partnership engaged in this state in the practice of public accounting shall ((~~register~~)) license biennially 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))~~ license to practice under RCW 18.04.215;

(c) Each resident ~~((manager))~~ licensee 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))~~ license to practice under RCW 18.04.215.

~~((2))~~ (3) A corporation organized for the practice of public accounting and engaged in this state in the practice of public accounting shall ~~((register))~~ license biennially 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))~~ license 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))~~ license to practice;

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

(d) Each resident ~~((manager))~~ licensee 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))~~ license to practice under RCW 18.04.215;

(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))~~ (4) Application for ~~((registration of))~~ a license as a ~~((partnership or corporation))~~ firm shall be made upon the affidavit of ~~((a general))~~

the proprietor or person designated as managing partner or shareholder ((who is)) for Washington. This person shall be a certified public accountant holding a ((permit)) license to practice under RCW 18.04.215. The board shall determine in each case whether the applicant is eligible for ((registration)) a license. A partnership or corporation which is ((so registered and which holds a permit)) licensed to practice under RCW 18.04.215 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)) ninety 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)) licensed.

((4)) (5) Fees for the ((registration of partnerships or corporations)) license as a firm 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)) firm at the time the ((registration)) license application form or notice of admission or withdrawal of a partner or shareholder is filed with the board.

Sec. 9. Section 10, chapter 234, Laws of 1983 and RCW 18.04.205 are each amended to read as follows:

(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.

(2) Each office shall be under the direct supervision of a resident ((manager)) licensee holding a ((permit)) license to practice under RCW 18.04.215 who may be ((either)) a sole proprietor, partner, principal shareholder, or a staff employee.

((2)) (3) 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)) (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.

Sec. 10. Section 11, chapter 234, Laws of 1983 and RCW 18.04.215 are each amended to read as follows:

(1) Biennial ((permits)) licenses to engage in the practice of public accounting in this state shall be issued by the board:

(a) To holders of certificates as 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)) firms under RCW 18.04.195, if all offices of the ((partnerships and corporations)) firm in this state are maintained and registered as required under RCW 18.04.205.

(2) All ~~((permits))~~ licenses to practice ~~((for))~~ issued to 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))~~ of each even-numbered year. All ~~((permits))~~ licenses to practice ~~((for))~~ issued to 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))~~ of each odd-numbered year. Renewals of ~~((permits))~~ licenses to practice issued to individuals under subsection (1) (a) ~~((or (b)))~~ of this section shall be issued in accordance with subsection ~~((3))~~ (4) of this section. Applicants for issuance or renewal of ~~((permits))~~ licenses shall, at the time of filing their applications, list with the board all states in which they hold or have applied for permits or licenses to practice.

~~((2))~~ (3) A certified public accountant who holds a permit or license issued by another state, and applies for a ~~((permit))~~ license 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))~~ (4) As a prerequisite to renewal of a ~~((permit))~~ license, 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))~~ license in a proceeding under RCW 18.04.295, 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))~~ license to practice despite failure to furnish evidence of compliance with requirements of continuing professional education upon condition that the applicant follow a particular program of continuing professional education. In issuing rules and individual orders with respect to continuing professional 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))~~ may take into account the accessibility of continuing education to applicants and instances of individual hardship.

~~((4))~~ (5) Fees for biennial ~~((permits))~~ licenses 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))~~ application form is filed with the board. The board, by rule, may provide for proration of fees for licenses issued between normal renewal dates.

Sec. 11. Section 12, chapter 234, Laws of 1983 and RCW 18.04.295 are each amended to read as follows:

~~((After notice and hearing as provided in RCW 18.04.320, the board may revoke or suspend any certificate issued under RCW 18.04.105, 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))~~ The board of accountancy shall have the power to revoke, suspend, or refuse to renew the license of any certified public accountant for any 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)) license to practice public accounting under RCW 18.04.215;~~

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

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

(4) A violation of a rule of professional conduct promulgated by the board under the authority granted by this ~~((act))~~ 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 continuing education in the other state;

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

Sec. 12. Section 13, chapter 234, Laws of 1983 and RCW 18.04.305 are each amended to read as follows:

~~((After notice and hearing under RCW 18.04.320, the board shall revoke the registration issued to a partnership or corporation under RCW 18.04.195 and permit to practice issued to a partnership or corporation under RCW 18.04.215 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))~~ The board of accountancy 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 certificate as a certified public accountant or the revocation or suspension or refusal to renew the ~~((per-))~~ mit) license of any partner or shareholder; or

(2) The ~~((cancellation;))~~ revocation, suspension, or refusal to renew the ~~((authority))~~ license or permit of the ~~((partnership or corporation))~~ firm, 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 professional education in the other state.

Sec. 13. Section 31, chapter 226, Laws of 1949 as amended by section 14, chapter 234, Laws of 1983 and RCW 18.04.320 are each amended to read as follows:

~~((1) Proceedings for))~~ In the case of the refusal, revocation, or suspension of ~~((the certificate, permit, or registration of any person, partnership, or corporation may be initiated))~~ a certificate or a license by the board ~~((on its own motion, 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 RCW 18.04.215;~~

~~(2) Unless the charge or charges are dismissed by the board as unfounded or trivial, the board shall set a date for hearing not later than ninety days after 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;~~

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

~~(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 has the force and effect of a decree in equity; and~~

~~(11) On rendering a decision to: (a) Revoke or suspend a certificate issued under RCW 18.04.105; (b) revoke or suspend a registration issued under RCW 18.04.195; or (c) revoke, suspend, refuse to renew, or censure the holder of a permit to practice under RCW 18.04.215, 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)) under the provisions of this chapter, such proceedings and any appeal therefrom shall be taken in accordance with the administrative procedure act, chapter 34.04 RCW.~~

Sec. 14. Section 15, chapter 234, Laws of 1983 and RCW 18.04.335 are each amended to read as follows:

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)) license to practice which has been revoked, suspended, or which the board has refused to renew.

Sec. 15. Section 16, chapter 234, Laws of 1983 and RCW 18.04.345 are each amended to read as follows:

(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))~~ license to practice under RCW 18.04.215, and all of the person's offices in this state for the practice of public accounting are maintained and registered under RCW 18.04.205.

(2) No ~~((partnership or corporation))~~ firm 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))~~ firm is composed of certified public accountants or CPAs, unless the ~~((partnership or corporation))~~ firm is ~~((registered as a partnership or corporation of certified public accountants))~~ licensed under RCW 18.04.195, holds a valid ~~((permit))~~ license to practice under RCW 18.04.215, and all offices of the ~~((partnership or corporation))~~ firm in this state for the practice of public accounting are maintained and registered under RCW 18.04.205.

(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))~~ license 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))~~ license to practice under RCW 18.04.215 and all of the person's offices in this state for the practice of public accounting are maintained and ~~((registered))~~ licensed under RCW 18.04.205.

(5) No person may sign, affix, or associate a ~~((partnership or corporate))~~ firm name to any report designated as an "audit," "review," or "compilation," unless the ~~((partnership or corporation))~~ firm is ~~((registered))~~ licensed under RCW 18.04.195~~((, holds a permit to practice under RCW))~~ and 18.04.215, and all of its offices in this state for the practice of public accounting are maintained and registered under RCW 18.04.205.

(6) No person, partnership, or corporation not holding a ~~((permit))~~ 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.

(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 RCW 18.04.195.

(9) No person, partnership, or corporation holding a ((~~permit~~)) license under RCW 18.04.215 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~~)) license under RCW 18.04.215.

(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~~)) license to practice under RCW 18.04.215 and all of his or its offices in this state are maintained and registered under RCW 18.04.205.

Sec. 16. Section 34, chapter 226, Laws of 1949 as last amended by section 17, chapter 234, Laws of 1983 and RCW 18.04.350 are each amended to read as follows:

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

(2) Nothing in this chapter prohibits a certified 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.

(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)) license under RCW 18.04.215 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)) 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.

Sec. 17. Section 37, chapter 226, Laws of 1949 as amended by section 20, chapter 234, Laws of 1983 and RCW 18.04.380 are each amended to read as follows:

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, 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 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 or a public accountant holding a ((permit)) license to practice under this chapter. In any such action, 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.

Sec. 18. Section 38, chapter 226, Laws of 1949 as amended by section 21, chapter 234, Laws of 1983 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 and the client to the contrary, all statements, records, schedules, working papers, and memoranda made by a certified public accountant incident to or in the course of professional service to clients, except reports submitted by a certified public accountant to a client, are the property of the certified 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~~).

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

(a) A copy of the licensee's working papers, to the extent that such working papers 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.

Sec. 19. Section 23, chapter 234, Laws of 1983 and RCW 18.04.405 are each amended to read as follows:

(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))~~) (3) and (~~((3))~~) (4) 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.

Sec. 20. Section 34, chapter 234, Laws of 1983 and RCW 18.04.901 are each amended to read as follows:

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

NEW SECTION. Sec. 21. The following acts or parts of acts are each repealed:

- (1) Section 30, chapter 234, Laws of 1983 and RCW 43.131.311; and
- (2) Section 31, chapter 234, Laws of 1983 and RCW 43.131.312.

Sec. 22. Section 1, chapter 234, Laws of 1983 and RCW 18.04.920 are each amended to read as follows:

This chapter may be cited as the public accountancy act ~~((of 1983))~~.

NEW SECTION. Sec. 23. RCW 18.04.930, 18.04.931, 18.04.932, 18.04.933, and 18.04.934 are each decodified.

NEW SECTION. Sec. 24. 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.

Passed the Senate March 12, 1986.

Passed the House March 12, 1986.

Approved by the Governor April 4, 1986, with the exception of certain items which were vetoed.

Filed in Office of Secretary of State April 4, 1986.

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

"I am returning herewith, without my approval as to section 5, Engrossed Senate Bill No. 4725, entitled:

"AN ACT Relating to accountancy."

The intent of the new language in section 5 is to create a new fund in the state treasury for receipt of all fees collected by the Board of Accountancy. Unfortunately, the new account is not properly created. Additionally, there is no appropriation from the new account. If this language is not vetoed, all the fees which currently go into the Certified Public Accountant Examination Account would be diverted to the new account. Because the account is improperly created and there is no appropriation, failure to veto this section would leave the Board without operating funds. For these reasons, I am vetoing section 5.

With the exception of section 5, Engrossed Senate Bill No. 4725 is approved."