



SPECIAL BOARD MEETING AGENDA

Date, Time: Wednesday, August 15, 2018 – Special Meeting – 4:00 p.m.
Location: Evergreen Plaza Building
 Washington State Board of Accountancy Office/Teleconference
 711 Capital Way S. Suite 400
 Olympia, WA 98501
 (360) 753-2586
Notices: None

SPECIAL BOARD MEETING AGENDA

1. Public Accountancy Act Review
 - a. RCW 18.04.055 Board – Rules.A
 - b. RCW 18.04.195 License required – Requirements – Application – Fees.B
 - c. RCW 18.04.205 Registration of offices – Requirements – Rules – Fees.C
 - d. RCW 18.04.345 Prohibited practices.D
2. Executive and/or Closed Session with Legal Counsel
3. Public Input

The Board of Accountancy schedules all public meetings at barrier free sites. Persons who need special assistance, such as enlarged type materials, please contact the Board's Americans with Disabilities Act contact person:

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**WASHINGTON STATE
BOARD OF ACCOUNTANCY
SPECIAL BOARD MEETING – August 15, 2018
SUMMARY**

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Location: Evergreen Plaza Building
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Olympia, WA 98501
(360) 753-2586

Notices: None

Chair's Opening Announcements: The purpose of the Board meeting is for the Board to accomplish its business. After the Board completes its discussion of an agenda item, if appropriate, I will ask if anyone in the audience wishes to comment. As a reminder, individuals attending the meeting may participate only after recognition by the Chair. If you plan to address the Board on other matters during the public input section of the agenda, please advise the Chair at the beginning of the meeting.

August 15, 2018 – SPECIAL BOARD MEETING

1. Public Accountancy Act Review

a. RCW 18.04.055 Board – Rules.

Tab A contains the draft of the proposed law change under consideration. The Executive Director will lead a discussion on the proposed changes.

Does the Board wish to direct staff to:

- File these changes as written for the 2019 legislative session;
- Amend the proposal for minor edits and file for the 2019 legislative session; or
- Withdraw the proposal?

b. RCW 18.04.195 License required – Requirements – Application – Fees.

Tab B contains the draft of the proposed law change under consideration. The Executive Director will lead a discussion on the proposed changes.

Does the Board wish to direct staff to:

- File these changes as written for the 2019 legislative session;

- **Amend the proposal for minor edits and file for the 2019 legislative session; or**
- **Withdraw the proposal?**

c. RCW 18.04.195 Registration of offices – Requirements – Rules – Fees.

Tab C contains the draft of the proposed law change under consideration. The Executive Director will lead a discussion on the proposed changes.

Does the Board wish to direct staff to:

- **File these changes as written for the 2019 legislative session;**
- **Amend the proposal for minor edits and file for the 2019 legislative session; or**
- **Withdraw the proposal?**

d. RCW 18.04.345 Prohibited practices.

Tab D contains the draft of the proposed law change under consideration. The Executive Director will lead a discussion on the proposed changes.

Does the Board wish to direct staff to:

- **File these changes as written for the 2019 legislative session;**
- **Amend the proposal for minor edits and file for the 2019 legislative session; or**
- **Withdraw the proposal?**

2. Executive and/or Closed Session with Legal Counsel

The Board's legal counsel requests the agenda for regular Board meetings contain a placeholder item identifying the Board and legal counsel may enter into executive or closed session when determined appropriate.

3. Public Input

Board meeting time has been set aside to ensure the public has an opportunity to address its concerns, and the Board has an opportunity to ask questions of the public. Individual speakers will be provided 10 minutes each.

RCW 18.04.055

Board—Rules.

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

- (1) Rules of procedure to govern the conduct of matters before the board;
- (2) Rules of professional conduct for all licensees, certificate holders, and nonlicensee owners of licensed firms, in order to establish and maintain high standards of competence and ethics including rules dealing with independence, integrity, objectivity, and freedom from conflicts of interest;
- (3) Rules specifying actions and circumstances deemed to constitute holding oneself out as a licensee in connection with the practice of public accountancy;
- (4) Rules specifying the manner and circumstances of the use of the titles "certified public accountant" and "CPA," by holders of certificates who do not also hold licenses under this chapter;
- (5) Rules specifying the educational requirements to take the certified public accountant examination;
- (6) Rules designed to ensure that licensees' "reports" meet the definitional requirements for that term as specified in RCW 18.04.025;
- (7) Requirements for CPE to maintain or improve the professional competence of licensees as a condition to maintaining their license and certificate holders as a condition to maintaining their certificate under RCW 18.04.215;
- (8) Rules governing firms issuing or offering to issue attest or compilation reports or providing public accounting services defined under 18.04.025 using the title "certified public accountant" or "CPA" including, but not limited to, rules concerning their style, name, title, and affiliation with any other organization, and establishing reasonable practice and ethical standards to protect the public interest;
- (9) The board may by rule implement a quality assurance review program as a means to monitor licensees' quality of practice and compliance with professional standards. The board may exempt from such program, licensees who undergo periodic peer reviews in programs of the American Institute of Certified Public Accountants, NASBA, or other programs recognized and approved by the board;
- (10) The board may by rule require licensed firms to obtain professional liability insurance if in the board's discretion such insurance provides additional and necessary protection for the public;
- (11) Rules specifying the experience requirements in order to qualify for a license;
- (12) Rules specifying the requirements for certificate holders to qualify for a license under this chapter which must include provisions for meeting CPE and experience requirements prior to application for licensure;
- (13) Rules specifying the registration requirements, including ethics examination and fee requirements, for resident nonlicensee partners, shareholders, and managers of licensed firms;
- (14) Rules specifying the ethics CPE requirements for certificate holders and owners of licensed firms, including the process for reporting compliance with those requirements;
- (15) Rules specifying the experience and CPE requirements for licensees offering or issuing reports; and

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

RCW 18.04.195

License required—Requirements—Application—Fees. (Effective until June 30, 2023.)

(1) The board shall grant or renew licenses to practice as a CPA firm to applicants that demonstrate their qualifications therefore in accordance with this section.

(a) The following must hold a license issued under this section:

(i) Any firm with an office in this state performing or offering to perform attest services as defined in RCW 18.04.025(1) or compilations as defined in RCW 18.04.025(6); or

~~(ii) Any firm with an office in this state that uses the title "CPA" or "CPA firm"; or~~

(iii) Any firm that does not have an office in this state but offers or renders attest services described in RCW 18.04.025 in this state, unless it meets each of the following requirements:

(A) Complies with the qualifications described in subsection (3)(c), (4)(a), or (5)(c) of this section;

(B) Meets the board's quality assurance review program requirements authorized by RCW 18.04.055(9) and the rules implementing such section;

(C) Performs such services through an individual with practice privileges under RCW 18.04.350(2); and

(D) Can lawfully do so in the state where said individuals with practice privileges have their principal place of business.

(b) A chartered professional accounting firm registered in the Canadian province of British Columbia may provide compilation or attest services in accordance with RCW 18.04.350(15) without obtaining a Washington state CPA firm license.

(c) A firm that is not subject to the requirements of subsection (1)(a) of this section may perform compilation services described in RCW 18.04.025(6) and other nonattest professional services while using the title "CPA" or "CPA firm" in this state without a license issued under this section only if:

(i) The firm performs such services through an individual with practice privileges under RCW 18.04.350(2); and

(ii) The firm can lawfully do so in the state where said individuals with practice privileges have their principal place of business.

(2) A sole proprietorship that performs or offers to perform attest or compilation services defined under RCW 18.04.025 is required to obtain a license under subsection (1) of this section shall license, as a firm, every three years with the board.

(a) The sole proprietor shall hold and renew a license to practice under RCW 18.04.105 and 18.04.215, or, in the case of a sole proprietorship that must obtain a license pursuant to subsection (1)(a)(iii) of this section, be a licensee of another state who meets the requirements in RCW 18.04.350(2);

(b) Each resident individual in charge of an office located in this state shall hold and renew a license to practice under RCW 18.04.105 and 18.04.215; and

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

(3) A partnership that performs or offers to perform attest or compilation services as defined under RCW 18.04.025 is required to obtain a license under subsection (1) of this section shall license as a firm every three years with the board, and shall meet the following requirements:

(a) At least one general partner of the partnership shall hold and renew a license to practice under RCW [18.04.105](#) and [18.04.215](#), or, in the case of a partnership that must obtain a license pursuant to subsection (1)(a)(iii) of this section, be a licensee of another state who meets the requirements in RCW [18.04.350\(2\)](#);

(b) Each resident individual in charge of an office in this state shall hold and renew a license to practice under RCW [18.04.105](#) and [18.04.215](#);

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

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

(4) A corporation [that performs or offers to perform attest or compilation services as defined under RCW 18.04.025](#) is required to obtain a license under subsection (1) of this section shall license as a firm every three years with the board and shall meet the following requirements:

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

(b) At least one shareholder of the corporation shall hold a license under RCW [18.04.105](#) and [18.04.215](#), or, in the case of a corporation that must obtain a license pursuant to subsection (1)(a)(iii) of this section, be a licensee of another state who meets the requirements in RCW [18.04.350\(2\)](#);

(c) Each resident individual in charge of an office located in this state shall hold and renew a license under RCW [18.04.105](#) and [18.04.215](#);

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

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

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

(5) A limited liability company [that performs or offers to perform attest or compilation services as defined under RCW 18.04.025](#) is required to obtain a license under subsection (1) of this section shall license as a firm every three years with the board, and shall meet the following requirements:

(a) At least one member of the limited liability company shall hold a license under RCW [18.04.105](#) and [18.04.215](#), or, in the case of a limited liability company that must obtain a license pursuant to subsection (1)(a)(iii) of this section, be a licensee of another state who meets the requirements in RCW [18.04.350\(2\)](#);

(b) Each resident manager or member in charge of an office located in this state shall hold and renew a license under RCW [18.04.105](#) and [18.04.215](#);

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

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

(6) Application for a license as a firm with an office in this state shall be made upon the affidavit of the proprietor or individual designated as managing partner, member, or shareholder for Washington. This individual shall hold a license under RCW [18.04.215](#).

(7) In the case of a firm licensed in another state and required to obtain a license under subsection (1)(a)(iii) of this section, the application for the firm license shall be made upon the affidavit of an individual who qualifies for practice privileges in this state under RCW [18.04.350](#)(2) who has been authorized by the applicant firm to make the application. The board shall determine in each case whether the applicant is eligible for a license.

(8) The board shall be given notification within ninety days after the admission or withdrawal of a partner, shareholder, or member engaged in this state in the practice of public accounting from any partnership, corporation, or limited liability company so licensed.

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

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

(11) Nonlicensee owners of licensed firms are:

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

(b) Required to be an individual;

(c) Required to be of good character, as defined in RCW [18.04.105](#)(1)(a), and an active individual participant in the licensed firm or affiliated entities as these terms are defined by board rule; and

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

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

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

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

(13)(a) Licensed firms must notify the board within thirty days after:

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

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

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

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

RCW 18.04.205

Registration of offices—Requirements—Rules—Fees.

(1) Each office established or maintained in this state for the purpose of offering to issue or issuing reports in this state ~~or that uses the title "certified public accountant" or "CPA,"~~ shall register with the board under this chapter every three years.

(2) Each office established or maintained in this state shall be under the direct supervision of a resident licensee holding a license under RCW 18.04.105 and 18.04.215.

(3) The board shall by rule prescribe the procedure to be followed to register and maintain offices established in this state for the purpose of offering to issue or issuing attest or compilation reports, ~~or that use the title "certified public accountant" or "CPA."~~

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

RCW 18.04.345

Prohibited practices. (*Effective until June 30, 2023.*)

(1) Except when performing services as an employee or owner of a firm that performs or offers to perform attest or compilation services as defined under RCW 18.04.025 ~~operating~~ in accordance with RCW 18.04.350(15), no individual may assume or use the designation "certified public accountant-inactive" or "CPA-inactive" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the individual is a certified public accountant-inactive or CPA-inactive unless the individual holds a certificate. Individuals holding only a certificate may not practice public accounting.

(2) No individual 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 individual is a certified public accountant or CPA unless the individual qualifies for the privileges authorized by RCW 18.04.350(2) or holds a license under RCW 18.04.105 and 18.04.215, or is providing compilation or attest services as an employee or owner of a firm operating in accordance with RCW 18.04.350(15).

(3) No firm with an office in this state may perform or offer to perform attest services as defined in RCW 18.04.025(1) or compilation services as defined in RCW 18.04.025(6) ~~or assume or use the designation "certified public accountant" or "CPA" or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that the firm is composed of certified public accountants or CPAs~~, unless the firm is licensed under RCW 18.04.195 and all offices of the firm in this state are maintained and registered under RCW 18.04.205. This subsection does not limit the services permitted under RCW 18.04.350(10) by persons not required to be licensed under this chapter, nor does it prohibit compilation or attest services performed in accordance with RCW 18.04.350(15).

(4) No firm may perform the services defined in RCW 18.04.025(1) in this state unless the firm is licensed under RCW 18.04.195, renews the firm license as required under RCW 18.04.215, and all offices of the firm in this state are maintained and registered under RCW 18.04.205. This subsection does not prohibit services performed in accordance with RCW 18.04.350(15).

(5) Except when performing services as an employee or owner of a firm operating in accordance with RCW 18.04.350(15), no individual, partnership, limited liability company, or corporation offering public accounting services to the public may hold himself, herself, or itself out to the public, or assume or use along, or in connection with his, hers, or its name, or any other name the title or designation "certified accountant," "chartered accountant," "licensed accountant," "licensed public accountant," "public accountant," or any other title or designation likely to be confused with "certified public accountant" or any of the abbreviations "CA," "LA," "LPA," or "PA," or similar abbreviations likely to be confused with "CPA."

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

(7) Except when performing services as an employee or owner of a firm operating in accordance with RCW 18.04.350(15), no individual with an office in this state may sign, affix, or associate his or her name or any trade or assumed name used by the individual in his or her business to any report prescribed by professional standards unless the individual holds a license

to practice under RCW [18.04.105](#) and [18.04.215](#), a firm holds a license under RCW [18.04.195](#), and all of the individual's offices in this state are registered under RCW [18.04.205](#).

(8) No individual licensed in another state may sign, affix, or associate a firm name to any report prescribed by professional standards, or associate a firm name in conjunction with the title certified public accountant, unless the individual:

(a) Qualifies for the practice privileges authorized by RCW [18.04.350\(2\)](#);

(b) Is licensed under RCW [18.04.105](#) and [18.04.215](#), and all of the individual's offices in this state are maintained and registered under RCW [18.04.205](#); or

(c) Is performing services as an employee or owner of a firm in accordance with the provisions of RCW [18.04.350\(15\)](#).

(9) No individual, partnership, limited liability company, or corporation not holding a license to practice under RCW [18.04.105](#) and [18.04.215](#), or firm not licensed under RCW [18.04.195](#) or firm not registering all of the firm's offices in this state under RCW [18.04.205](#), or not qualified for the practice privileges authorized by RCW [18.04.350\(2\)](#), or not operating in accordance with the provisions of RCW [18.04.350\(15\)](#), 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.

(10) For purposes of this section, because individuals practicing using practice privileges under RCW [18.04.350\(2\)](#) are deemed substantially equivalent to licensees under RCW [18.04.105](#) and [18.04.215](#), every word, term, or reference that includes the latter shall be deemed to include the former, provided the conditions of such practice privilege, as set forth in RCW [18.04.350](#) (4) and (5) are maintained.

(11) Notwithstanding anything to the contrary in this section, it is not a violation of this section for a firm that does not hold a valid license under RCW [18.04.195](#) and that does not have an office in this state to use the title "CPA" or "certified public accountant" as part of the firm's name and to provide its professional services in this state, and licensees and individuals with practice privileges may provide services on behalf of such firms so long as it complies with the requirements of RCW [18.04.195\(1\)](#). An individual or firm authorized under this subsection to use practice privileges in this state must comply with the requirements otherwise applicable to licensees in this section.