

Analysis of Proposed CPA Mobility Legislation

Executive Summary:

As Executive Director of the Board of Accountancy in Washington State, I am charged with implementing the Public Accountancy Act. From my perspective, both as a currently licensed CPA in both Idaho and Washington and now as a regulator, I believe this proposed legislation adequately addresses the following two major issues related to the practice and oversight (regulation) of certified public accountants (CPAs) while helping consumers to obtain desired professional services in a timely manner:

- **Consumer Choice**, and
- **Consumer Protection**

In my judgment, this proposed legislation promotes both of these objectives.

I believe that **more timely and less costly deployment of interstate CPA expertise is in the public's interest** provided that such mobility does not diminish the current ability of the Washington Board of Accountancy to monitor and sanction out-of-state licensees.

Given the consumer protection factors identified below, I have concluded that the proposed legislation, in fact, would **promote interstate compliance** and **facilitate timely and cost-effective enforcement** in those rare cases where out-of-state CPAs do not honor the public trust.

I also am convinced that this legislation, if adopted, would allow me to more effectively utilize agency staff resources to pro-actively monitor licensee compliance and performance.

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Consumer Choice:

Consumers of professional services have a right to choose the CPA/CPA firm with the specific expertise to timely meet their unique professional needs at a reasonable cost. That specific expertise might not be available in the local area due to the complexity of multi-state tax laws, multi-state regulatory requirements for businesses and non-commercial enterprises, and the unique nature of the enterprise's activities. Accordingly, these individuals and enterprises either choose to, or by necessity must, obtain those services from out-of-state licensees.

Many states, such as Washington State, have a temporary practice privilege provision. Those statutes generally require the CPA and/or CPA firm to make application through an administrative process and pay a fee to obtain the ability to serve consumer requests for services. The process is cumbersome and subject to administrative delays. As a result, the consumer suffers a marginal cost increase and the satisfaction of their needs is frustratingly delayed.

The **"No Notice, No Fee"** provisions of this proposal **address these issues**.

I emphasize that the proposal does include a Washington state licensure requirement for CPA firms providing audit level services for clients with a home office in this state, *i.e. the "No Notice, No Fee" provisions of the proposal do not apply in those circumstances.*

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Consumer Protection:

The **Automatic Jurisdiction** provisions of the proposed legislation

Ohio and Virginia are two of the states that have had the “No Notice, No Fee” practice privilege provisions for a number of years (Ohio – 45 years, Virginia-7 years). During this time, Ohio has only had to discipline two out-of-state firms for deficient work and Virginia has had only one such case during those periods. Since assuming my position in July of 2005, the Washington Board has only had 12 applications for practice privileges and we have not had an observed or reported violation against those individuals.

However, recently we did have a complaint against an out-of-state unlicensed firm for alleged deficient work in our state. The investigation disclosed that the firm’s work was performed competently and professionally. Accordingly, the firm was disciplined only for practicing without a license, i.e. ***no public harm, use of title without a license.***

This anecdotal evidence strongly suggests that the administrative notice and fee provisions for practice privilege have no significant impact on the expected competency, professionalism, and ethical behavior of licensees regardless of the state of licensure.

If adopted, the proposed legislation would provide **automatic consent** by out-of state licensees to the **jurisdiction of the Washington State Board of Accountancy** if the individuals or firms avail themselves of the “No Notice, No Fee” provisions of the proposed amendments. This would be implemented by the following corollary provisions of the proposal:

- *Require the Washington Board to cooperate with an out-of-state licensing Board when investigating alleged complaints or observed acts , and*
- *Permit the Board to file charges with the out-of-state licensing Board vs. the current provision to file charges through the Washington State Office of the Secretary of State.*

These provisions are practically implemented by several **corollary developments** of the following tools and practices:

- The National Association of State Boards of Accountancy has developed a National Licensee Database where license status and other information relative to licensee information can be centrally accessed by state boards to monitor the qualifications and compliance of licensees in any state. (Currently Boards must search each separate state’s web site to retrieve the necessary licensee’s violation and contact information.)
- Executive Directors and/or Directors of Investigation do, in fact, regularly cooperate and inform other states by telephone and/or other more formal means when evaluating qualification and/or disciplinary matters involving multiple states.