

# Board of Accountancy

WASHINGTON STATE



## **SPECIAL BOARD MEETING AGENDA**

**Date, Time:** Wednesday, June 8, 2016 – Special Meeting – 1:30 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**

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2. Rules Review
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  - b. WAC 4-30-034 Must I respond to inquiries from the board?.....C
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  - e. WAC 4-30-110 What are the allowable legal forms of organization and ownership requirements for a CPA firm?.....F
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3. Executive and/or Closed Session with Legal Counsel
4. 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 – JUNE 8, 2016  
SUMMARY**

**Date and Time:** Wednesday, June 8, 2016 - 1:30 p.m.  
**Location:** Evergreen Plaza Building  
Washington State Board of Accountancy Office/Teleconference  
711 Capitol Way S. Suite 400  
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 sign the sign-up sheet.

**June 8, 2016 – SPECIAL BOARD MEETING**

**1. ESHB 2433 – Firm Mobility**

*Tab A* contains ESHB 2433, which went into effect on June 6, 2016. Rule changes are necessary related to the passage of this new law.

**2. Rules Review**

**a. WAC 4-30-010 Definitions**

*Tab B* contains the CR-101 draft of the proposed rule changes under consideration. Tom Neill will lead a discussion on the proposed changes.

**Does the Board wish to direct staff to:**

- **File the CR-102 combining the proposed changes from these current revisions and the prior agreed upon revisions concerning fiduciary and schedule a public rule-making hearing in conjunction with the Board's July meeting?; or**
- **Amend the rule proposal for consideration at the Board's July meeting?; or**
- **Withdraw the rule proposal?**

**b. WAC 4-30-034 Must I respond to inquiries from the board?**

**Tab C** contains the CR-101 draft of the proposed rule changes under consideration. Tom Neill will lead a discussion on the proposed changes.

**Does the Board wish to direct staff to:**

- **File the CR-102 as written for this proposal and schedule a public rule-making hearing in conjunction with the Board’s July meeting?; or**
- **Amend the rule proposal for consideration at the Board’s July meeting?; or**
- **Withdraw the rule proposal?**

**c. WAC 4-30-058 Does the board authorize the use of any other titles or designations?**

**Tab D** contains the CR-101 draft of the proposed rule changes under consideration. Tom Neill will lead a discussion on the proposed changes.

**Does the Board wish to direct staff to:**

- **File the CR-102 as written for this proposal and schedule a public rule-making hearing in conjunction with the Board’s July meeting?; or**
- **Amend the rule proposal for consideration at the Board’s July meeting?; or**
- **Withdraw the rule proposal?**

**d. WAC 4-30-090 Must an out-of-state individual holding a license from another state apply and obtain a Washington state license to hold out and practice in Washington state?**

**Tab E** contains the CR-101 draft of the proposed rule changes under consideration. Tom Neill will lead a discussion on the proposed changes.

**Does the Board wish to direct staff to:**

- **File the CR-102 as written for this proposal and schedule a public rule-making hearing in conjunction with the Board’s July meeting?; or**
- **Amend the rule proposal for consideration at the Board’s July meeting?; or**
- **Withdraw the rule proposal?**

**e. WAC 4-30-110 What are the allowable legal forms of organization and ownership requirements for a CPA firm?**

**Tab F** contains the CR-101 draft of the proposed rule changes under consideration. Tom Neill will lead a discussion on the proposed changes.

**Does the Board wish to direct staff to:**

- **File the CR-102 as written for this proposal and schedule a public rule-making hearing in conjunction with the Board’s July meeting?; or**
- **Amend the rule proposal for consideration at the Board’s July meeting?; or**
- **Withdraw the rule proposal?**

- f. **WAC 4-30-112 Must a firm holding a license from another state apply and obtain a Washington state license to hold out and practice in Washington state?**

**Tab G** contains the CR-101 draft of the proposed rule changes under consideration. Tom Neill will lead a discussion on the proposed changes.

**Does the Board wish to direct staff to:**

- **File the CR-102 as written for this proposal and schedule a public rule-making hearing in conjunction with the Board’s July meeting?; or**
- **Amend the rule proposal for consideration at the Board’s July meeting?; or**
- **Withdraw the rule proposal?**

- g. **WAC 4-30-114 How do I apply for and maintain a firm license?**

**Tab H** contains the CR-101 draft of the proposed rule changes under consideration. Tom Neill will lead a discussion on the proposed changes.

**Does the Board wish to direct staff to:**

- **File the CR-102 as written for this proposal and schedule a public rule-making hearing in conjunction with the Board’s July meeting?; or**
- **Amend the rule proposal for consideration at the Board’s July meeting?; or**
- **Withdraw the rule proposal?**

- h. **WAC 4-30-130 What are the quality assurance review (QAR) requirements for licensed CPA firms?**

**Tab I** contains the CR-101 draft of the proposed rule changes under consideration. Tom Neill will lead a discussion on the proposed changes.

**Does the Board wish to direct staff to:**

- **File the CR-102 as written for this proposal and schedule a public rule-making hearing in conjunction with the Board’s July meeting?; or**
- **Amend the rule proposal for consideration at the Board’s July**

meeting?; or

- **Withdraw the rule proposal?**

**i. WAC 4-30-142 What are the bases for the board to impose discipline?**

**Tab J** contains the CR-101 draft of the proposed rule changes under consideration. Tom Neill will lead a discussion on the proposed changes.

**Does the Board wish to direct staff to:**

- **File the CR-102 combining the proposed changes from these current revisions and the prior agreed upon revisions concerning trustee's duties and schedule a public rule-making hearing in conjunction with the Board's July meeting?; or**
- **Amend the rule proposal for consideration at the Board's July meeting?; or**
- **Withdraw the rule proposal?**

**3. 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.

**4. 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 with a maximum of three speakers at each Board meeting. (*Chair: Note the sign-up sheet will be set out at the start of the Board meeting.*)

CERTIFICATION OF ENROLLMENT  
ENGROSSED SUBSTITUTE HOUSE BILL 2433

64th Legislature  
2016 Regular Session

Passed by the House February 11, 2016  
Yeas 96 Nays 0

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Speaker of the House of Representatives

Passed by the Senate March 1, 2016  
Yeas 46 Nays 0

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President of the Senate

Approved

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Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 2433** as passed by House of Representatives and the Senate on the dates hereon set forth.

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Chief Clerk

FILED

Secretary of State  
State of Washington

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ENGROSSED SUBSTITUTE HOUSE BILL 2433

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Passed Legislature - 2016 Regular Session

State of Washington                      64th Legislature                      2016 Regular Session

By House Business & Financial Services (originally sponsored by  
Representatives Vick, Kirby, and Goodman)

READ FIRST TIME 02/05/16.

1            AN ACT Relating to certified public accountant firm mobility; and  
2 amending RCW 18.04.025, 18.04.055, 18.04.105, 18.04.195, 18.04.345,  
3 18.04.205, and 18.04.350.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            **Sec. 1.** RCW 18.04.025 and 2008 c 16 s 2 are each amended to read  
6 as follows:

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

9            (1) "Attest" means providing the following (~~financial~~  
10 ~~statement~~) services:

11            (a) Any audit or other engagement to be performed in accordance  
12 with the statements on auditing standards;

13            (b) Any review of a financial statement to be provided in  
14 accordance with the statements on standards for accounting and review  
15 services;

16            (c) Any (~~examination of prospective financial information~~)  
17 engagement to be performed in accordance with the statements on  
18 standards for attestation engagements; and

19            (d) Any engagement to be performed in accordance with the public  
20 company accounting oversight board auditing standards.

1 (2) "Board" means the board of accountancy created by RCW  
2 18.04.035.

3 (3) "Certificate" means a certificate as a certified public  
4 accountant issued prior to July 1, 2001, as authorized under the  
5 provisions of this chapter.

6 (4) "Certificate holder" means the holder of a certificate as a  
7 certified public accountant who has not become a licensee, has  
8 maintained CPE requirements, and who does not practice public  
9 accounting.

10 (5) "Certified public accountant" or "CPA" means a person holding  
11 a certified public accountant license or certificate.

12 (6) "Compilation" means providing a service to be performed in  
13 accordance with statements on standards for accounting and review  
14 services that is presenting in the form of financial statements,  
15 information that is the representation of management (owners) without  
16 undertaking to express any assurance on the statements.

17 (7) "CPE" means continuing professional education.

18 (8) "Firm" means a sole proprietorship, a corporation, or a  
19 partnership. "Firm" also means a limited liability company formed  
20 under chapter 25.15 RCW.

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

28 ~~(10) ("Home office" is the location specified by the client as  
29 the address to which a service is directed.~~

30 ~~(11))~~ (11) "Inactive" means the certificate is in an inactive status  
31 because a person who held a valid certificate before July 1, 2001,  
32 has not met the current requirements of licensure and has been  
33 granted inactive certificate holder status through an approval  
34 process established by the board.

35 ~~((12))~~ (12) "Individual" means a living, human being.

36 ~~((13))~~ (13) "License" means a license to practice public  
37 accountancy issued to an individual under this chapter, or a license  
38 issued to a firm under this chapter.

39 ~~((14))~~ (14) "Licensee" means the holder of a license to  
40 practice public accountancy issued under this chapter.

1           ~~((15))~~ (14) "Manager" means a manager of a limited liability  
2 company licensed as a firm under this chapter.

3           ~~((16))~~ (15) "NASBA" means the national association of state  
4 boards of accountancy.

5           ~~((17))~~ (16) "Peer review" means a study, appraisal, or review  
6 of one or more aspects of the attest or compilation work of a  
7 licensee or licensed firm in the practice of public accountancy, by a  
8 person or persons who hold licenses and who are not affiliated with  
9 the person or firm being reviewed, including a peer review, or any  
10 internal review or inspection intended to comply with quality control  
11 policies and procedures, but not including the "quality assurance  
12 review" under subsection ~~((21))~~ (20) of this section.

13           ~~((18))~~ (17) "Person" means any individual, nongovernmental  
14 organization, or business entity regardless of legal form, including  
15 a sole proprietorship, firm, partnership, corporation, limited  
16 liability company, association, or not-for-profit organization, and  
17 including the sole proprietor, partners, members, and, as applied to  
18 corporations, the officers.

19           ~~((19))~~ (18) "Practice of public accounting" means performing or  
20 offering to perform by a person or firm holding itself out to the  
21 public as a licensee, for a client or potential client, one or more  
22 kinds of services involving the use of accounting or auditing skills,  
23 including the issuance of "~~(audit)~~ reports," (~~"review reports," or~~  
24 ~~"compilation reports" on financial statements,~~) or one or more kinds  
25 of management advisory, or consulting services, or the preparation of  
26 tax returns, or the furnishing of advice on tax matters. "Practice of  
27 public accounting" shall not include practices that are permitted  
28 under the provisions of RCW 18.04.350(10) by persons or firms not  
29 required to be licensed under this chapter.

30           ~~((20))~~ (19) "Principal place of business" means the office  
31 location designated by the licensee for purposes of substantial  
32 equivalency and reciprocity.

33           ~~((21))~~ (20) "Quality assurance review" means a process  
34 established by and conducted at the direction of the board of study,  
35 appraisal, or review of one or more aspects of the attest or  
36 compilation work of a licensee or licensed firm in the practice of  
37 public accountancy, by a person or persons who hold licenses and who  
38 are not affiliated with the person or firm being reviewed.

39           ~~((22) "Reports on financial statements" means any reports or~~  
40 ~~opinions prepared by licensees or persons holding practice privileges~~

1 ~~under substantial equivalency, based on services performed in~~  
2 ~~accordance with generally accepted auditing standards, standards for~~  
3 ~~attestation engagements, or standards for accounting and review~~  
4 ~~services as to whether the presentation of information used for~~  
5 ~~guidance in financial transactions or for accounting for or assessing~~  
6 ~~the status or performance of commercial and noncommercial~~  
7 ~~enterprises, whether public, private, or governmental, conforms with~~  
8 ~~generally accepted accounting principles or another comprehensive~~  
9 ~~basis of accounting. "Reports on financial statements" does not~~  
10 ~~include services referenced in RCW 18.04.350(10) provided by persons~~  
11 ~~not holding a license under this chapter.~~

12 ~~(23))~~ (21) "Report," when used with reference to any attest or  
13 compilation service, means an opinion, report, or other form of  
14 language that states or implies assurance as to the reliability of  
15 the attested information or compiled financial statements and that  
16 also includes or is accompanied by any statement or implication that  
17 the person or firm issuing it has special knowledge or competence in  
18 the practice of public accounting. Such a statement or implication of  
19 special knowledge or competence may arise from use by the issuer of  
20 the report of names or titles indicating that the person or firm is  
21 involved in the practice of public accounting, or from the language  
22 of the report itself. "Report" includes any form of language which  
23 disclaims an opinion when such form of language is conventionally  
24 understood to imply any positive assurance as to the reliability of  
25 the attested information or compiled financial statements referred to  
26 and/or special competence on the part of the person or firm issuing  
27 such language; and it includes any other form of language that is  
28 conventionally understood to imply such assurance and/or such special  
29 knowledge or competence. "Report" does not include services  
30 referenced in RCW 18.04.350 (10) or (11) provided by persons not  
31 holding a license under this chapter as provided in RCW  
32 18.04.350(14).

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

35 ~~((24))~~ (23) "Rule" means any rule adopted by the board under  
36 authority of this chapter.

37 ~~((25))~~ (24) "Sole proprietorship" means a legal form of  
38 organization owned by one person meeting the requirements of RCW  
39 18.04.195.

1        (~~(26)~~) (25) "State" includes the states of the United States,  
2 the District of Columbia, Puerto Rico, Guam, the United States Virgin  
3 Islands, and the Commonwealth of the Northern Mariana Islands at such  
4 time as the board determines that the Commonwealth of the Northern  
5 Mariana Islands is issuing licenses under the substantially  
6 equivalent standards in RCW 18.04.350(2)(a).

7        **Sec. 2.** RCW 18.04.055 and 2001 c 294 s 5 are each amended to  
8 read as follows:

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

13        (1) Rules of procedure to govern the conduct of matters before  
14 the board;

15        (2) Rules of professional conduct for all licensees, certificate  
16 holders, and nonlicensee owners of licensed firms, in order to  
17 establish and maintain high standards of competence and ethics  
18 including rules dealing with independence, integrity, objectivity,  
19 and freedom from conflicts of interest;

20        (3) Rules specifying actions and circumstances deemed to  
21 constitute holding oneself out as a licensee in connection with the  
22 practice of public accountancy;

23        (4) Rules specifying the manner and circumstances of the use of  
24 the titles "certified public accountant" and "CPA," by holders of  
25 certificates who do not also hold licenses under this chapter;

26        (5) Rules specifying the educational requirements to take the  
27 certified public accountant examination;

28        (6) Rules designed to ensure that licensees' "reports (~~on~~  
29 ~~financial statements~~)" meet the definitional requirements for that  
30 term as specified in RCW 18.04.025;

31        (7) Requirements for CPE to maintain or improve the professional  
32 competence of licensees as a condition to maintaining their license  
33 and certificate holders as a condition to maintaining their  
34 certificate under RCW 18.04.215;

35        (8) Rules governing firms issuing or offering to issue reports  
36 (~~on financial statements or~~) using the title "certified public  
37 accountant" or "CPA" including, but not limited to, rules concerning  
38 their style, name, title, and affiliation with any other

1 organization, and establishing reasonable practice and ethical  
2 standards to protect the public interest;

3 (9) The board may by rule implement a quality assurance review  
4 program as a means to monitor licensees' quality of practice and  
5 compliance with professional standards. The board may exempt from  
6 such program, licensees who undergo periodic peer reviews in programs  
7 of the American Institute of Certified Public Accountants, NASBA, or  
8 other programs recognized and approved by the board;

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

13 (11) Rules specifying the experience requirements in order to  
14 qualify for a license;

15 (12) Rules specifying the requirements for certificate holders to  
16 qualify for a license under this chapter which must include  
17 provisions for meeting CPE and experience requirements prior to  
18 application for licensure;

19 (13) Rules specifying the registration requirements, including  
20 ethics examination and fee requirements, for resident nonlicensee  
21 partners, shareholders, and managers of licensed firms;

22 (14) Rules specifying the ethics CPE requirements for certificate  
23 holders and owners of licensed firms, including the process for  
24 reporting compliance with those requirements;

25 (15) Rules specifying the experience and CPE requirements for  
26 licensees offering or issuing reports (~~on financial statements~~);  
27 and

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

30 **Sec. 3.** RCW 18.04.105 and 2004 c 159 s 2 are each amended to  
31 read as follows:

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

34 (a) Who is of good character. Good character, for purposes of  
35 this section, means lack of a history of dishonest or felonious acts.  
36 The board may refuse to grant a license on the ground of failure to  
37 satisfy this requirement only if there is a substantial connection  
38 between the lack of good character of the applicant and the  
39 professional and ethical responsibilities of a licensee and if the

1 finding by the board of lack of good character is supported by a  
2 preponderance of evidence. When an applicant is found to be  
3 unqualified for a license because of a lack of good character, the  
4 board shall furnish the applicant a statement containing the findings  
5 of the board and a notice of the applicant's right of appeal;

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

8 (c) Who has passed an examination;

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

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

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

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

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

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

38 (3) The board shall charge each applicant an examination fee for  
39 the initial examination or for reexamination. The applicable fee  
40 shall be paid by the person at the time he or she applies for

1 examination, reexamination, or evaluation of educational  
2 qualifications. Fees for examination, reexamination, or evaluation of  
3 educational qualifications shall be determined by the board under  
4 chapter 18.04 RCW. There is established in the state treasury an  
5 account to be known as the certified public accountants' account. All  
6 fees received from candidates to take any or all sections of the  
7 certified public accountant examination shall be used only for costs  
8 related to the examination.

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

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

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

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

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

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

39 (5) Certificate holders shall comply with the prohibition against  
40 the practice of public accounting in RCW 18.04.345.

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

8 (7) Persons deemed to hold inactive certificates under subsection  
9 (6) of this section shall comply with the prohibition against the  
10 practice of public accounting in subsection (8)(b) of this section  
11 and RCW 18.04.345, but are not required to display the term inactive  
12 as part of their title, as required by subsection (8)(a) of this  
13 section until renewal. Certificates renewed to any persons after June  
14 30, 2001, are inactive certificates and the inactive certificate  
15 holders are subject to the requirements of subsection (8) of this  
16 section.

17 (8) Persons holding an inactive certificate:

18 (a) Must use or attach the term "inactive" whenever using the  
19 title CPA or certified public accountant or referring to the  
20 certificate, and print the word "inactive" immediately following the  
21 title, whenever the title is printed on a business card, letterhead,  
22 or any other document, including documents published or transmitted  
23 through electronic media, in the same font and font size as the  
24 title; and

25 (b) Are prohibited from practicing public accounting.

26 **Sec. 4.** RCW 18.04.195 and 2008 c 16 s 3 are each amended to read  
27 as follows:

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

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

32 (i) Any firm with an office in this state performing attest  
33 services as defined in RCW 18.04.025(1) or compilations as defined in  
34 RCW 18.04.025(6);

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

37 (iii) Any firm that does not have an office in this state but  
38 (~~performs~~) offers or renders attest services described in RCW

1 18.04.025(~~(1)~~ (a), (c), or (d) for a client having its home office))  
2 in this state, unless it meets each of the following requirements:

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

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

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

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

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

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

19 (ii) The firm can lawfully do so in the state where said  
20 individuals with practice privileges have their principal place of  
21 business(~~;~~ and

22 ~~(iii) A firm performing services described in RCW 18.04.025~~  
23 ~~(1)(b) and (6) meets the board's quality assurance [review] program~~  
24 ~~requirements authorized by RCW 18.04.055(9) and the rules~~  
25 ~~implementing that section)).~~

26 (2) A sole proprietorship required to obtain a license under  
27 subsection (1) of this section shall license, as a firm, every three  
28 years with the board.

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

34 (b) Each resident individual in charge of an office located in  
35 this state shall hold and renew a license to practice under RCW  
36 18.04.105 and 18.04.215; and

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

1 (3) A partnership required to obtain a license under subsection  
2 (1) of this section shall license as a firm every three years with  
3 the board, and shall meet the following requirements:

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

9 (b) Each resident individual in charge of an office in this state  
10 shall hold and renew a license to practice under RCW 18.04.105 and  
11 18.04.215;

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

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

22 (4) A corporation required to obtain a license under subsection  
23 (1) of this section shall license as a firm every three years with  
24 the board and shall meet the following requirements:

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

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

1 (c) Each resident individual in charge of an office located in  
2 this state shall hold and renew a license under RCW 18.04.105 and  
3 18.04.215;

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

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

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

17 (5) A limited liability company required to obtain a license  
18 under subsection (1) of this section shall license as a firm every  
19 three years with the board, and shall meet the following  
20 requirements:

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

26 (b) Each resident manager or member in charge of an office  
27 located in this state shall hold and renew a license under RCW  
28 18.04.105 and 18.04.215;

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

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

39 (6) Application for a license as a firm with an office in this  
40 state shall be made upon the affidavit of the proprietor or

1 individual designated as managing partner, member, or shareholder for  
2 Washington. This individual shall hold a license under RCW 18.04.215.

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

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

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

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

31 (11) Nonlicensee owners of licensed firms are:

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

34 (b) Required to be an individual;

35 (c) Required to be of good character, as defined in RCW  
36 18.04.105(1)(a), and an active individual participant in the licensed  
37 firm or affiliated entities as these terms are defined by board rule;  
38 and

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

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

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

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

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

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

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

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

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

28 **Sec. 5.** RCW 18.04.345 and 2009 c 116 s 1 are each amended to  
29 read as follows:

30 (1) No individual may assume or use the designation "certified  
31 public accountant-inactive" or "CPA-inactive" or any other title,  
32 designation, words, letters, abbreviation, sign, card, or device  
33 tending to indicate that the individual is a certified public  
34 accountant-inactive or CPA-inactive unless the individual holds a  
35 certificate. Individuals holding only a certificate may not practice  
36 public accounting.

37 (2) No individual may hold himself or herself out to the public  
38 or assume or use the designation "certified public accountant" or  
39 "CPA" or any other title, designation, words, letters, abbreviation,

1 sign, card, or device tending to indicate that the individual is a  
2 certified public accountant or CPA unless the individual qualifies  
3 for the privileges authorized by RCW 18.04.350(2) or holds a license  
4 under RCW 18.04.105 and 18.04.215.

5 (3) No firm with an office in this state may perform or offer to  
6 perform attest services as defined in RCW 18.04.025(1) or compilation  
7 services as defined in RCW 18.04.025(6) or assume or use the  
8 designation "certified public accountant" or "CPA" or any other  
9 title, designation, words, letters, abbreviation, sign, card, or  
10 device tending to indicate that the firm is composed of certified  
11 public accountants or CPAs, unless the firm is licensed under RCW  
12 18.04.195 and all offices of the firm in this state are maintained  
13 and registered under RCW 18.04.205. This subsection does not limit  
14 the services permitted under RCW 18.04.350(10) by persons not  
15 required to be licensed under this chapter.

16 (4) No firm may perform the services defined in RCW 18.04.025(1)  
17 (~~((a), (c), or (d) for a client with its home office))~~) in this state  
18 unless the firm is licensed under RCW 18.04.195, renews the firm  
19 license as required under RCW 18.04.215, and all offices of the firm  
20 in this state are maintained and registered under RCW 18.04.205.

21 (5) No individual, partnership, limited liability company, or  
22 corporation offering public accounting services to the public may  
23 hold himself, herself, or itself out to the public, or assume or use  
24 along, or in connection with his, hers, or its name, or any other  
25 name the title or designation "certified accountant," "chartered  
26 accountant," "licensed accountant," "licensed public accountant,"  
27 "public accountant," or any other title or designation likely to be  
28 confused with "certified public accountant" or any of the  
29 abbreviations "CA," "LA," "LPA," or "PA," or similar abbreviations  
30 likely to be confused with "CPA."

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

34 (7) No individual with an office in this state may sign, affix,  
35 or associate his or her name or any trade or assumed name used by the  
36 individual in his or her business to any report prescribed by  
37 professional standards unless the individual holds a license to  
38 practice under RCW 18.04.105 and 18.04.215, a firm holds a license  
39 under RCW 18.04.195, and all of the individual's offices in this  
40 state are registered under RCW 18.04.205.

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

5 (a) Qualifies for the practice privileges authorized by RCW  
6 18.04.350(2); or

7 (b) Is licensed under RCW 18.04.105 and 18.04.215, and all of the  
8 individual's offices in this state are maintained and registered  
9 under RCW 18.04.205.

10 (9) No individual, partnership, limited liability company, or  
11 corporation not holding a license to practice under RCW 18.04.105 and  
12 18.04.215, or firm not licensed under RCW 18.04.195 or firm not  
13 registering all of the firm's offices in this state under RCW  
14 18.04.205, or not qualified for the practice privileges authorized by  
15 RCW 18.04.350(2), may hold himself, herself, or itself out to the  
16 public as an "auditor" with or without any other description or  
17 designation by use of such word on any sign, card, letterhead, or in  
18 any advertisement or directory.

19 (10) For purposes of this section, because individuals practicing  
20 using practice privileges under RCW 18.04.350(2) are deemed  
21 substantially equivalent to licensees under RCW 18.04.105 and  
22 18.04.215, every word, term, or reference that includes the latter  
23 shall be deemed to include the former, provided the conditions of  
24 such practice privilege, as set forth in RCW 18.04.350 (4) and (5)  
25 are maintained.

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

37 **Sec. 6.** RCW 18.04.205 and 2008 c 16 s 4 are each amended to read  
38 as follows:

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

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

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

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

16 **Sec. 7.** RCW 18.04.350 and 2008 c 16 s 6 are each amended to read  
17 as follows:

18 (1) Nothing in this chapter prohibits any individual not holding  
19 a license and not qualified for the practice privileges authorized by  
20 subsection (2) of this section from serving as an employee of a firm  
21 licensed under RCW 18.04.195 and 18.04.215. However, the employee  
22 shall not issue any (~~compilation, review, audit, or examination~~)  
23 report (~~on financial or other information~~) as defined in this  
24 chapter, on the information of any other persons, firms, or  
25 governmental units over his or her name.

26 (2) An individual whose principal place of business is not in  
27 this state shall be presumed to have qualifications substantially  
28 equivalent to this state's requirements and shall have all the  
29 privileges of licensees of this state without the need to obtain a  
30 license under RCW 18.04.105 if the individual:

31 (a) Holds a valid license as a certified public accountant from  
32 any state that requires, as a condition of licensure, that an  
33 individual:

34 (i) Have at least one hundred fifty semester hours of college or  
35 university education including a baccalaureate or higher degree  
36 conferred by a college or university;

37 (ii) Achieve a passing grade on the uniform certified public  
38 accountant examination; and

1 (iii) Possess at least one year of experience including service  
2 or advice involving the use of accounting, attest, compilation,  
3 management advisory, financial advisory, tax, or consulting skills,  
4 all of which was verified by a licensee; or

5 (b) Holds a valid license as a certified public accountant from  
6 any state that does not meet the requirements of (a) of this  
7 subsection, but such individual's qualifications are substantially  
8 equivalent to those requirements. Any individual who passed the  
9 uniform certified public accountant examination and holds a valid  
10 license issued by any other state prior to January 1, 2012, may be  
11 exempt from the education requirements in (a)(i) of this subsection  
12 for purposes of this section.

13 (3) Notwithstanding any other provision of law, an individual who  
14 qualifies for the practice privilege under subsection (2) of this  
15 section may offer or render professional services, whether in person  
16 or by mail, telephone, or electronic means, and no notice, fee, or  
17 other submission shall be provided by any such individual. Such an  
18 individual shall be subject to the requirements of subsection (4) of  
19 this section.

20 (4) Any individual licensee of another state exercising the  
21 privilege afforded under subsection (2) of this section and the firm  
22 that employs that licensee simultaneously consent, as a condition of  
23 exercising this privilege:

24 (a) To the personal and subject matter jurisdiction and  
25 disciplinary authority of the board;

26 (b) To comply with this chapter and the board's rules;

27 (c) That in the event the license from the state of the  
28 individual's principal place of business is no longer valid, the  
29 individual will cease offering or rendering professional services in  
30 this state individually and on behalf of a firm; and

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

35 (5) An individual who qualifies for practice privileges under  
36 subsection (2) of this section. ~~((may, for any entity with its home~~  
37 ~~office in this state, perform the following services only through a~~  
38 ~~firm that has obtained a license under RCW 18.04.195 and 18.04.215:~~

39 ~~(a) Any financial statement audit or other engagement to be~~  
40 ~~performed in accordance with statements on auditing standards;~~

1 ~~(b) Any examination of prospective financial information to be~~  
2 ~~performed in accordance with statements on standards for attestation~~  
3 ~~engagements; or~~

4 ~~(c) Any engagement to be performed in accordance with public~~  
5 ~~company accounting oversight board auditing standards)) who performs~~  
6 ~~any attest service described in RCW 18.04.025(1) may only do so~~  
7 ~~through a firm which has obtained a license under RCW 18.04.195 and~~  
8 ~~18.04.215 or which meets the requirements for an exception from the~~  
9 ~~firm licensure requirements under RCW 18.04.195(1) (a)(iii) or (b).~~

10 (6) A licensee of this state offering or rendering services or  
11 using their CPA title in another state shall be subject to  
12 disciplinary action in this state for an act committed in another  
13 state for which the licensee would be subject to discipline for an  
14 act committed in the other state. Notwithstanding RCW 18.04.295 and  
15 this section, the board shall cooperate with and investigate any  
16 complaint made by the board of accountancy of another state or  
17 jurisdiction.

18 (7) Nothing in this chapter prohibits a licensee, a licensed  
19 firm, any of their employees, or persons qualifying for practice  
20 privileges by this section from disclosing any data in confidence to  
21 other certified public accountants, quality assurance or peer review  
22 teams, partnerships, limited liability companies, or corporations of  
23 certified public accountants or to the board or any of its employees  
24 engaged in conducting quality assurance or peer reviews, or any one  
25 of their employees in connection with quality or peer reviews of that  
26 accountant's accounting and auditing practice conducted under the  
27 auspices of recognized professional associations.

28 (8) Nothing in this chapter prohibits a licensee, a licensed  
29 firm, any of their employees, or persons qualifying for practice  
30 privileges by this section from disclosing any data in confidence to  
31 any employee, representative, officer, or committee member of a  
32 recognized professional association, or to the board, or any of its  
33 employees or committees in connection with a professional  
34 investigation held under the auspices of recognized professional  
35 associations or the board.

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

38 (a) From affixing his or her signature to any statement or report  
39 in reference to the affairs of the organization with any wording

1 designating the position, title, or office which he or she holds in  
2 the organization; or

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

5 (10) Nothing in this chapter prohibits any person or firm  
6 composed of persons not holding a license under this chapter from  
7 offering or rendering to the public bookkeeping, accounting, tax  
8 services, the devising and installing of financial information  
9 systems, management advisory, or consulting services, the preparation  
10 of tax returns, or the furnishing of advice on tax matters, (~~the~~  
11 ~~preparation of financial statements, written statements describing~~  
12 ~~how such financial statements were prepared,)) or similar services,  
13 provided that persons, partnerships, limited liability companies, or  
14 corporations not holding a license who offer or render these services  
15 do not designate any written statement as (~~an "audit report,"~~  
16 ~~"review report," or "compilation report," do not issue any written~~  
17 ~~statement which purports to express or disclaim an opinion on~~  
18 ~~financial statements which have been audited, and do not issue any~~  
19 ~~written statement which expresses assurance on financial statements~~  
20 ~~which have been reviewed)) a report as defined in RCW 18.04.025(21)  
21 or use any language in any statement relating to the financial  
22 affairs of a person or entity which is conventionally used by  
23 licensees in reports or any attest service as defined in this  
24 chapter.~~~~

25 (11) Nothing in this chapter prohibits any person or firm  
26 composed of persons not holding a license under this chapter from  
27 offering or rendering to the public the preparation of financial  
28 statements, or written statements describing how such financial  
29 statements were prepared, provided that persons, partnerships,  
30 limited liability companies, or corporations not holding a license  
31 who offer or render these services do not designate any written  
32 statement as a report as defined in RCW 18.04.025(21), do not issue  
33 any written statement that purports to express or disclaim an opinion  
34 on financial statements that have been audited, and do not issue any  
35 written statement that expresses assurance on financial statements  
36 that have been reviewed. The board may prescribe, by rule, language  
37 for the written statement describing how such financial statements  
38 were prepared for use by persons not holding a license under this  
39 chapter.

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

4       (~~(12)~~) (13) Nothing contained in this chapter prohibits any  
5 person who holds only a valid certificate from assuming or using the  
6 designation "certified public accountant-inactive" or "CPA-inactive"  
7 or any other title, designation, words, letters, sign, card, or  
8 device tending to indicate the person is a certificate holder,  
9 provided, that such person does not perform or offer to perform for  
10 the public one or more kinds of services involving the use of  
11 accounting or auditing skills, including issuance of reports (~~on~~  
12 ~~financial statements~~) or of one or more kinds of management  
13 advisory, financial advisory, consulting services, the preparation of  
14 tax returns, or the furnishing of advice on tax matters.

15       (~~(13)~~) (14) Nothing in this chapter prohibits the use of the  
16 title "accountant" by any person regardless of whether the person has  
17 been granted a certificate or holds a license under this chapter.  
18 Nothing in this chapter prohibits the use of the title "enrolled  
19 agent" or the designation "EA" by any person regardless of whether  
20 the person has been granted a certificate or holds a license under  
21 this chapter if the person is properly authorized at the time of use  
22 to use the title or designation by the United States department of  
23 the treasury. The board shall by rule allow the use of other titles  
24 by any person regardless of whether the person has been granted a  
25 certificate or holds a license under this chapter if the person using  
26 the titles or designations is authorized at the time of use by a  
27 nationally recognized entity sanctioning the use of board authorized  
28 titles.

--- END ---

**WAC 4-30-010 Definitions.** For purposes of these rules the following terms have the meanings indicated unless a different meaning is otherwise clearly provided in these rules:

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

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

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

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

(a) To take the national uniform CPA examination;

(b) For an initial individual license, an initial firm license, or initial registration as a resident nonlicensee owner;

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

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

(5) **"Attest"** means providing the following ~~financial statement~~ services:

(a) Any audit or other engagement to be performed in accordance with the statements on auditing standards;

(b) Any review of a financial statement to be provided in accordance with the statements on standards for accounting and review services;

(c) Any ~~examination of prospective financial information~~ engagement to be performed in accordance with the statements on standards for attestation engagements; and

(d) Any engagement to be performed in accordance with the public company accounting oversight board auditing standards.

(6) "**Audit**," "**review**," and "**compilation**" are terms reserved for use by licensees, as defined in subsection (28) of this section.

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

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

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

(10) "**Client**" means the person or entity that retains a licensee, as defined in subsection (28) of this section, a CPA-Inactive certificate holder, a nonlicensee firm owner of a licensed firm, or an entity affiliated with a licensed firm to perform professional services through other than an employer/employee relationship.

(11) "**Commissions and referral fees**" are compensation arrangements where the primary contractual relationship for the product or service is not between the client and licensee, as defined in subsection (28) of this section, CPA-Inactive certificate holder, nonlicensee firm owner of a licensed firm, or a person affiliated with a licensed firm; and

(a) Such persons are not primarily responsible to the client for the performance or reliability of the product or service; or

(b) Such persons add no significant value to the product or service; or

(c) A third party instead of the client pays the persons for the products or services.

(12) "**Compilation**" means providing a service to be performed in accordance with statements on standards for accounting and review services that is presenting in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the statements.

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

(14) "**CPA**" or "**certified public accountant**" means an individual holding a license to practice public accounting under chapter 18.04 RCW or recognized by the board in the state of Washington, including an individual exercising practice privileges pursuant to RCW 18.04.350(2).

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

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

(17) **"Firm"** means a sole proprietorship, a corporation, or a partnership. "Firm" also means a limited liability company or partnership formed under chapters 25.15 and 18.100 RCW and a professional service corporation formed under chapters 23B.02 and 18.100 RCW.

(18) "Firm Mobility" means an out of state firm that is not licensed by the board and meets the requirements of RCW 18.04.195(1)(a)(iii)(A)-(D) exercising practice privileges in this state under RCW 18.04.195 (1) (a) (iii) A through D.

(189) **"Generally accepted accounting principles"** (GAAP) is an accounting term that encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of general application, but also detailed practices and procedures. Those conventions, rules, and pro-

cedures provide a standard by which to measure financial presentations.

(1920) "**Generally accepted auditing standards**" (GAAS) are guidelines and procedures, promulgated by the AICPA, for conducting individual audits of historical financial statements.

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

~~(21) "**Home office**" is the location specified by the client as the address to which a service is directed.~~

(2122) "**Inactive**" means the individual held a valid certificate on June 30, 2001, has not met the current requirements of licensure and has been granted CPA-Inactive certificate holder status through the renewal process established by the board. A CPA-Inactive may not practice public accounting nor may the individual use the CPA-Inactive title if they are offering accounting, tax, tax consulting, management advisory, or similar services to the public.

(~~2233~~) "**Individual**" means a living, human being.

(~~2344~~) "**Independence**" means an absence of relationships that impair a licensee's impartiality and objectivity in rendering professional services for which a report expressing assurance is prescribed by professional standards.

(~~2455~~) "**Interactive self-study program**" means a CPE program that provides feedback throughout the course.

(~~2566~~) "**IRS**" means Internal Revenue Service.

(~~2677~~) "**License**" means a license to practice public accounting issued to an individual or a firm under the act or the act of another state.

(~~2788~~) "**Licensee**" means an individual or firm holding a valid license to practice public accounting issued under the act, including out-of-state individuals exercising practice privileges in this state under RCW 18.04.350(2) and out-of-state firms permitted to offer or

render certain professional services in this state under the conditions prescribed in RCW 18.04.195 (1) (a) and (b).

(~~2899~~) "**Manager**" means a manager of a limited liability company licensed as a firm under the act.

(~~302930~~) "**NASBA**" means the National Association of State Boards of Accountancy.

(~~31301~~) "**Nonlicensee firm owner**" means an individual, not licensed in any state to practice public accounting, who holds an ownership interest in a firm permitted to practice public accounting in this state.

(~~3122~~) "**PCAOB**" means Public Company Accounting Oversight Board.

(~~3233~~) "**Peer review**" means a study, appraisal, or review of one or more aspects of the attest or compilation work of a licensee or licensed firm in the practice of public accounting, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed, including a peer review, or any internal review or inspection intended to comply with quality control policies and procedures, but not including the "quality assurance review" under subsection (38) of this section.

(~~3344~~) "**Person**" means any individual, nongovernmental organization, or business entity regardless of legal form, including a sole proprietorship, firm, partnership, corporation, limited liability company, association, or not-for-profit organization, and including the sole proprietor, partners, members, and, as applied to corporations, the officers.

(~~3455~~) "**Practice privileges**" are the rights granted by chapter 18.04 RCW to a person who:

(a) Has a principal place of business outside of Washington state;

(b) Is licensed to practice public accounting in another substantially equivalent state;

(c) Meets the statutory criteria for the exercise of privileges as set forth in RCW 18.04.350(2) for individuals or RCW 18.04.195 (1)(b) for firms;

(d) Exercises the right to practice public accounting in this state individually or on behalf of a firm;

(e) Is subject to the personal and subject matter jurisdiction and disciplinary authority of the board in this state;

(f) Must comply with the act and all board rules applicable to Washington state licensees to retain the privilege; and

(g) Consents to the appointment of the issuing state board of another state as agent for the service of process in any action or proceeding by this state's board against the certificate holder or licensee.

(3566) "**Principal place of business**" means the office location designated by the licensee for purposes of substantial equivalency and reciprocity.

(3677) **"Public practice"** or the **"practice of public accounting"** means performing or offering to perform by a person or firm holding itself out to the public as a licensee, or as an individual exercising practice privileges, for a client or potential client, one or more kinds of services involving the use of accounting or auditing skills, including the issuance of "audit reports," ~~"review reports," or "compilation reports"~~ on financial statements, or one or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters. The "practice of public accounting" shall not include practices that are permitted under the provisions of RCW 18.04.350(10) by persons or firms not required to be licensed under the act.

(3788) **"Quality assurance review or QAR"** is the process, established by and conducted at the direction of the board, to study, appraise, or review one or more aspects of the audit, compilation, review, and other professional services for which a report expressing assurance is prescribed by professional standards of a licensee or licensed firm in the practice of public accounting, by a person or persons who hold licenses and who are not affiliated with the person or firm being reviewed.

(3899) "Reciprocity" means board recognition of licenses, permits, certificates or other public accounting credentials of another jurisdiction that the board will rely upon in full or partial satisfaction of licensing requirements.

(403940) "Referral fees" see definition of "commissions and referral fees" in subsection (11) of this section.

(4011) ~~"Reports, on financial statements" means any reports or opinions prepared by licensees, based on services performed in accordance with generally accepted auditing standards, standards for attestation engagements, or standards for accounting and review services, as to whether the presentation of information used for guidance in financial transactions or for accounting for or assessing the status or performance of an entity, whether public, private, or governmental, conforms with generally accepted accounting principles or an "other comprehensive bases of accounting," or the presentation and disclosure requirements of other professional standards. "Reports on financial statements" does not include services referenced in RCW 18.04.350(10) provided by persons not holding a license under the act. When used with reference to any attest or compilation service, means an opinion, report, or other form of language that states or implies assurance as to the reliability of the attested information or compiled financial~~

statements and that also includes or is accompanied by any statement or implication that the person or firm issuing it has special knowledge or competence in the practice of public accounting. Such a statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that the person or firm is involved in the practice of public accounting, or from the language of the report itself. "Report" includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply any positive assurance as to the reliability of the attested information or compiled financial statements referred to and/or special competence of the part of the person or firm issuing such language; and it includes any other form of language that is conventionally understood to imply such assurance and/or such special knowledge or competence. "Report" does not include services referenced in RCW 18.04.350 (10) or (11) provided by persons not holding a license under this chapter as provided in RCW 18.04.350(14).

(4122) **"Representing oneself"** means having a license, practice privilege, certificate or registration that entitles the holder to use the title "CPA," "CPA-Inactive," or be a nonlicensee firm owner.

(4233) **"Rules of professional conduct"** means rules adopted by the board to govern the conduct of licensees, as defined in subsection

(28) of this section, while representing themselves to others as licensees. These rules also govern the conduct of CPA-Inactive certificate holders, nonlicensee firm owners, and persons exercising practice privileges pursuant to RCW 18.04.350(2).

(4344) "**SEC**" means the Securities and Exchange Commission.

(4455) "**Sole proprietorship**" means a legal form of organization owned by one person meeting the requirements of RCW 18.04.195.

(4566) "**State**" includes the states and territories of the United States, including the District of Columbia, Puerto Rico, Guam, and the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands at such time as the board determines that the Commonwealth of the Northern Mariana Islands is issuing licenses under the substantially equivalent standards of RCW 18.04.350 (2) (a).

(4677) "**Statements on auditing standards (SAS)**" are interpretations of the generally accepted auditing standards and are issued by the Auditing Standards Board of the AICPA. Licensees are required to adhere to these standards in the performance of audits of financial statements.

(4788) "**Statements on standards for accounting and review services (SSARS)**" are standards, promulgated by the AICPA, to give guid-

ance to licensees who are associated with the financial statements of nonpublic companies and issue compilation or review reports.

(~~4899~~) "Statements on standards for attestation engagements (SSAE)" are guidelines, promulgated by the AICPA, for use by licensees in attesting to assertions involving matters other than historical financial statements and for which no other standards exist.

[Statutory Authority: 18.04.055, 18.04.025, 18.04.350. WSR 10-24-009, amended and recodified as § 4-30-010, filed 11/18/10, effective 12/19/10. Statutory Authority: RCW 18.04.055, 18.04.025. WSR 08-18-016, § 4-25-410, filed 8/25/08, effective 9/25/08. Statutory Authority: RCW 18.04.055. WSR 05-01-137, § 4-25-410, filed 12/16/04, effective 1/31/05; WSR 03-24-033, § 4-25-410, filed 11/25/03, effective 12/31/03. Statutory Authority: RCW 18.04.055(16). WSR 02-04-064, § 4-25-410, filed 1/31/02, effective 3/15/02. Statutory Authority: RCW 18.04.055(11). WSR 01-11-124, § 4-25-410, filed 5/22/01, effective 6/30/01; WSR 98-12-020, § 4-25-410, filed 5/27/98, effective 6/27/98; WSR 94-23-071, § 4-25-410, filed 11/15/94, effective 12/16/94.]

**WAC 4-30-034 Must I respond to inquiries from the board?** Yes. All licensees, including out-of-state individuals exercising practice privileges in this state under RCW 18.04.350(2) and out-of-state firms permitted to offer or render certain professional services in this state under the conditions prescribed in RCW 18.04.195 (1) (a) and (b), CPA-Inactive certificate holders, nonlicensee firm owners, and applicants must respond, **in writing**, to board communications requesting a response. Your response must be made within **twenty days of the date** the board's communication is posted in the U.S. mail. Communications from the board to you are directed to the last address you furnished the board.

[Statutory Authority: RCW 18.04.055(16). WSR 10-24-009, amended and recodified as § 4-30-034, filed 11/18/10, effective 12/19/10; WSR 08-18-016, § 4-25-551, filed 8/25/08, effective 9/25/08; WSR 05-01-137, § 4-25-551, filed 12/16/04, effective 1/31/05; WSR 01-22-036, § 4-25-551, filed 10/30/01, effective 12/1/01. Statutory Authority: RCW 18.04.055. WSR 98-12-047, § 4-25-551, filed 5/29/98, effective 6/29/98; WSR 93-12-072, § 4-25-551, filed 5/27/93, effective 7/1/93.]

WAC 4-30-058 Does the board authorize the use of any other titles or designations? Yes. RCW 18.04.350(143), Practices not prohibited, authorizes the board to allow the use of other titles (designations) if the individual using the title or designation is authorized at the time of use by a nationally recognized entity sanctioning the use of board authorized titles or designations. Accordingly, the board authorizes the use of the following titles and designations:

(1) Designations or titles authorized by the American Institute of Certified Public Accountants (AICPA);

(2) Designations or titles authorized by the Accreditation Council for Accountancy and Taxation located in Alexandria, Virginia, or its successor:

- "Accredited Business Accountant" or "ABA";
- "Accredited Tax Preparer" or "ATP"; and
- "Accredited Tax Advisor" or "ATA."

(3) Designations or titles authorized by the Certified Financial Planner Board of Standards in Denver, Colorado, or its successor:

- "Certified financial planner" or "CFP."

These authorized designations relate to title use only, are not limited to individuals who have held or are holding a license or cer-

tificate under the act, and do not authorize these other designated individuals to use the title "certified public accountant" or "CPA," or "CPA-inactive."

The board further authorizes the use of the designation "CPA retired" in this state by those individuals who, upon notice to the board to retire a license, meet the following criteria:

- Has reached sixty years of age and holds an active license in good standing; or

- At any age, has held an active license in good standing, not suspended or revoked, to practice public accounting in any state for a combined period of not less than twenty years.

[Statutory Authority: RCW 18.04.350(13). WSR 12-10-085, § 4-30-058, filed 5/2/12, effective 6/2/12; WSR 10-24-009, recodified as § 4-30-058, filed 11/18/10, effective 12/19/10. Statutory Authority: RCW 18.04.350(9). WSR 02-17-051, § 4-25-930, filed 8/15/02, effective 9/15/02.]

WAC 4-30-090 Must an out-of-state individual holding a license from another state apply and obtain a Washington state license to hold out and practice in Washington state? No. Out-of-state individuals holding valid licenses to practice public accounting issued by a substantially equivalent state, may hold out and practice within Washington state and/or provide public accounting services in person, by mail, telephone, or electronic means to clients residing in Washington state without notice or payment of a fee. An individual who qualifies for practice privileges under RCW 18.04.350 (2), and who performs any attest service described in RCW 18.04.010 (1) may only do so through a firm which that has obtained a license under RCW 18.04.195 and RCW 18.04.215 or which that meets the requirements for an exception from the firm licensure requirements under RCW 18.04.195 (1)(a)(iii)(A)-(D) or (1)(b).

As a condition of this privilege, the out-of-state individual is deemed to have consented to:

(1) The personal and subject matter jurisdiction and disciplinary authority of this state's board;

(2) Comply with the Public Accountancy Act of this state, chapter 18.04 RCW, and this board's rules contained in Title 4 WAC;

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

~~(4) Render the following services for a client with a home office in this state only through a firm that has obtained a license from this state (RCW 18.04.195, 18.04.205 and WAC 4-30-110):~~

~~(a) Any audit or other engagement to be performed in accordance with the statements on auditing standards;~~

~~(b) Any examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements; and~~

~~(c) Any engagement to be performed in accordance with the public company accounting oversight board auditing standards.~~

(54) Not render any professional services in this state unless the out-of-state individual is licensed to render such services in the state of licensure upon which the privilege is contingent;

(65) Cease offering or performing professional services in this state, individually and/or on behalf of a firm, if the license from the state of the out-of-state individual's principal place of business is no longer valid; and

(78) Cease offering or performing specific professional services in this state, individually and/or on behalf of a firm, if the license from the state of the out-of-state individual's principal place of business is restricted from offering or performing such specific professional services.

[Statutory Authority: RCW 18.04.350 (2), (3), (4), (5). WSR 11-07-070, § 4-30-090, filed 3/22/11, effective 4/22/11; WSR 10-24-009, amended and recodified as § 4-30-090, filed 11/18/10, effective 12/19/10; WSR 08-18-016, § 4-25-747, filed 8/25/08, effective 9/25/08.]

WAC 4-30-110 What are the allowable legal forms of organization and ownership requirements for a CPA firm? (1) Permitted forms of organization. A CPA firm may be organized as:

(a) A proprietorship;

(b) A partnership;

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

(d) A limited liability company (LLC);

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

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

(2) What happens when a CPA firm alters its legal form? A mere change in the legal form of an existing firm constitutes a new firm for licensing purposes. Accordingly, the new entity must first obtain a CPA firm license from the board and then dissolve the former firm unless the owners desire to maintain more than one licensed firm. Affiliated entities using a restricted title or offering or performing restricted services are subject to board rules.

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

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

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

(ii) Be subject to discipline by the board for violations of chapter 18.04 RCW and this board's rules contained in Title 4 WAC;

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

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

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

and

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

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

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

(e) A principal owner and any individual having authority over issuing reports ~~on financial statements~~ must be a licensee under the

act or holder of a valid license to practice public accountancy issued by another state and must be entitled to practice public accounting in this state.

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

(g) A nonlicensee owner must:

(i) Be an individual;

(ii) Meet the good character requirements of RCW 18.04.105

(1) (a);

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

(iv) Be an active individual participant in the licensed firm or affiliated entities as these terms are defined in WAC 4-30-010; and

(h) A resident nonlicensee firm owner must meet the requirements of WAC 4-30-116 and register with the board concurrent with submission of the firm license application, or submission of an amendment to the firm license status, to the board.

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

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

[Statutory Authority: RCW 18.04.055(8), 18.04.195, 18.04.205. WSR 11-07-070, § 4-30-110, filed 3/22/11, effective 4/22/11; WSR 10-24-009, amended and recodified § 4-30-110, filed 11/18/10, effective 12/19/10; WSR 08-18-016, § 4-25-750, filed 8/25/08, effective 9/25/08; WSR 05-01-137, § 4-25-750, filed 12/16/04, effective 1/31/05; WSR 03-24-033, § 4-25-750, filed 11/25/03, effective 12/31/03; WSR 02-04-064, § 4-25-750, filed 1/31/02, effective 3/15/02; WSR 00-11-074, § 4-25-750, filed 5/15/00, effective 6/30/00. Statutory Authority: RCW 18.04.055(8) and 18.04.205(3). WSR 99-18-117, § 4-25-750, filed 9/1/99, effective 1/1/00. Statutory Authority: RCW 18.04.055(3), 18.04.205(3) and 18.04.195. WSR 96-12-061, § 4-25-750, filed 5/31/96, effective 7/1/96. Statutory Authority: RCW 18.04.055. WSR 93-22-089, § 4-25-750, filed 11/2/93, effective 12/3/93.]

WAC 4-30-112 Must a firm holding a license from another state apply and obtain a Washington state license to hold out and practice in Washington state? (1) A firm license must be obtained from the board if any of the following criteria apply:

(a) The firm has an office in this state and performs attest or compilation services for clients in this state;

(b) The firm has an office in this state and, by any means, represents the firm to the public that the firm is a firm of certified public accountants. ~~;~~ ~~or~~

~~(c) The firm is licensed in another state and performs the following services for clients with a home office in this state:~~

~~(i) Any audit or other engagement to be performed in accordance with the statements on auditing standards;~~

~~(ii) Any examination of prospective financial information to be performed in accordance with the statements on standards for attestation engagements; and~~

~~(iii) Any engagement to be performed in accordance with the public company accounting oversight board auditing standards.~~

(2) A firm license is not required for a firm that does not have an office in this state but offers or renders attest services de-

scribed in RCW 18.04.025 (1), and meets the requirements listed in RCW 18.04.195 (a) (iii) (A) through (D) does not have to have a license in this state.

-(3) A firm license is not required to perform other professional services in this state, including compilation, review and other services for which reporting requirements are provided in professional standards, if the firm complies with the following:

(a) The firm performs such services through individuals with practice privileges under RCW 18.04.350(2) and WAC 4-30-090 or reciprocal license under RCW 18.04.180 and 18.04.183 and board rules;

(b) The firm is licensed to perform such services in the state in which the individuals with practice privileges have their principal place of business; and

(c) The firm meets the board's quality assurance program requirements, when applicable.

(34) As a condition of this privilege, the any nonresident firm meeting the requirement of (2) or (3) above is deemed to have consented to:

(a) The personal and subject matter jurisdiction and disciplinary authority of this state's board;

(b) Comply with the Public Accountancy Act of this state, chapter 18.04 RCW, and this board's rules contained in Title 4 WAC;

(c) Cease offering or rendering professional services in this state through a specific individual or individuals if the license(s) of the individual(s) through whom the services are offered or rendered becomes invalid;

(d) Cease offering or rendering specific professional services in this state through an individual or individuals if the license(s) from the state(s) of the principal place of business of such individual(s) is restricted from offering or performing such specific professional services;

(e) The appointment of the state board which issued the firm license as their agent upon whom process may be served in any action or proceeding by this state's board against firm licensee;

(f) Not render those services described in subsection (1)(c) of this section for a client with a home office in this state unless the firm that has obtained a license from this state (RCW 18.04.195 and 18.04.295) and this section; and

(g) Not render any professional services in this state through out-of-state individual(s) who are not licensed to render such ser-

vices by the state(s) in which the principal place of business of such individual(s) is (are) located.

[Statutory Authority: RCW 18.04.055(8), 18.04.195. WSR 11-07-070, § 4-30-112, filed 3/22/11, effective 4/22/11; WSR 10-24-009, amended and recodified as § 4-30-112, filed 11/18/10, effective 12/19/10; WSR 08-18-016, § 4-25-753, filed 8/25/08, effective 9/25/08.]

WAC 4-30-114 How do I apply for and maintain a firm license? (1)

How does a firm apply for an initial firm license? To apply for an initial firm license an owner, or designee, or, in the case of an out-of-state firm, that does not meet the requirements to operate under firm mobility per RCW 18.04.195 (1) (a) (iii) A through D, and is required to be licensed in this state under RCW 18.04.195 (1) (a), an individual qualified for practice privileges in this state under RCW 18.04.350(2) who has been authorized by the applicant firm to make the application must submit the following information to the board:

(a) The firm name;

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

(c) Name of the managing licensee of the main office located and maintained in this state;

(d) Resident licensee owners' names;

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

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

The required information must be submitted to the board either by making application through the board's online application system or on a form provided by the board upon request. All requested information,

documents and fees must be submitted to the board before the application will be evaluated.

Upon approval of the firm's application the firm's licensed status will be posted in the board's licensee data base and, therefore, made publicly available for confirmation. A hard copy of the firm license can be provided upon request.

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

(2) **How do I renew a CPA firm license?** To renew a CPA firm license an owner or designee or, in the case of an out-of-state firm ~~required to be licensed under RCW 18.04.195 (1)(a) that does not meet the requirements to operate~~not operating under firm mobility per RCW 18.04.195 (1)(a)(iii)(A)-(D), an individual qualified for practice privileges in this state under RCW 18.04.350(2) who has been authorized by the applicant firm to make the application, must submit the information described in subsection (1) of this section that is current at the date the renewal application is submitted to the board. A renewal application is not complete and cannot be processed until all required information, requested documents, and all fees are submitted to the board.

An individual authorized by the firm must provide the required information to the board either by making application through the board's online application system or on a form provided by the board upon request. All requested information, documents and fees must be submitted to the board before the application will be evaluated.

On the date the renewal application is approved, the firm's license will be included in the board's licensee data base and, therefore, made publicly available for confirmation. Confirmation of the renewed status can be provided upon request.

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

**(3) When and how must the firm notify the board of changes in the licensed firm?** An individual authorized by the firm must provide the board written notification and other documentation deemed necessary by the board within ninety days of any or all of the following occurrences:

(a) Dissolution of the firm;

(b) The occurrence of any event that would cause the firm to be in violation of RCW 18.04.195 or this section, including the retirement, lapse, revocation or suspension of the license of a sole proprietor or sole owner of another legal form of organization, for example,

a limited liability company (LLC) or professional service corporation (PS) owned by a single person, licensed by the board for the practice of public accounting, and holding out to the public for the practice of public accounting and/or offering or performing professional services restricted to licensees; or

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

(4) **What events require a firm amendment?** An individual authorized by the firm must provide written notification to the board, by submitting the following information and the appropriate amendment fee, within ninety days of the following:

(a) Admission or withdrawal of a resident licensee owner;

(b) Any change in the name of the firm; or

(c) Change in the resident managing licensee of the firm's main office in this state; or

(d) Change in the resident managing licensee of any branch office of the firm.

(5) **How long do I have to correct noncompliance with licensure requirements due to a change in ownership or an owner's credentials?**

The board must be notified in writing within ninety days of the first date the firm is not in compliance with the firm's licensure requirements due to changes in firm ownership and propose a time period in

which the firm will achieve compliance. The board may grant a reasonable period of time for a firm to become compliant. The board may revoke, suspend, or impose conditions on the firm's license for failure to bring the firm into compliance within the approved time period.

[Statutory Authority: RCW 18.04.055(8), 18.04.195, 18.04.205. WSR 10-24-009, § 4-30-114, filed 11/18/10, effective 12/19/10.]

**WAC 4-30-130 What are the quality assurance review (QAR) requirements for licensed CPA firms?** (1) **Purpose.** The Washington state board of accountancy is charged with protection of the public interest and ensuring the dependability 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. The purpose of the QAR program is to monitor licensees' compliance with audit, compilation, review, and other attestation standards. If the board becomes aware that a firm's performance and/or reporting practices for audit, review, compilation, and other engagements covered by statements on standards for attestation engagements may not be in accordance with applicable professional standards, the board will take appropriate action to protect the public interest.

(2) **Peer review.** Generally, all firms licensed in Washington state offering and/or performing attest services as defined by WAC 4-30-010(5), compilation services, as defined by WAC 4-30-010(12), or other professional services for which a report expressing assurance is prescribed by professional standards, are required to participate in a board-approved peer review program as a condition of renewing each CPA

firm license under RCW 18.04.215 and WAC 4-30-114. However, certain exemptions are listed in subsection (11) of this section. Board-approved peer review programs include:

(a) The inspection processes of the Public Company Accounting Oversight Board (PCAOB);

(b) Peer review programs administered by the American Institute of CPAs (AICPA);

(c) Peer review programs administered by the Washington Society of CPAs (WSCPAs); and

(d) Other programs recognized and approved by the board.

(3) **Enrollment in peer review:** A licensed firm must enroll in a board-approved peer review program **before** issuing a report for each of the following types of service or any other service the board determines:

(a) Compilation on historical financial statements;

(b) Review on historical financial statements;

(c) Audit report on financial statements, performance audit reports, or examination reports on internal controls for nonpublic enterprises;

(d) Other professional services subject to Statements on Standards for Attestation Engagements.

The schedule for the firm's peer review shall be established according to the peer review program's standards. The board does not require any licensee to become a member of any organization administering a peer review program.

(4) **Participation in peer review.** Every firm that is required to participate in a peer review program shall have a peer review in accordance with the peer review program standards.

(a) It is the responsibility of the firm to anticipate its needs for review services in sufficient time to enable the reviewer to complete the review by the assigned review date.

(b) Any firm that is dropped or terminated by a peer review program for any reason shall have twenty-one days to provide written notice to the board of such termination or drop and to request authorization from the board to enroll in another board-approved peer review program.

(c) In the event a firm is merged, otherwise combined, dissolved or separated, the peer review program shall determine which firm is considered the succeeding firm. The succeeding firm shall retain its peer review status and the review due date.

(d) A firm choosing to change to another peer review program may do so only if there is not an open active peer review and if the peer

review is performed in accordance with the minimum standards for performing and reporting on peer reviews.

(5) **Reporting requirements.** Every firm must provide the following information, along with the appropriate fees, with every application for renewal of a firm license by April 30th of the renewal year:

(a) Certify whether the firm does or does not perform attest services or compilation services as defined by WAC 4-30-010 (5), (12), or other professional services for which a report expressing assurance is prescribed by professional standards in Washington state;

(b) If the firm is subject to the peer review requirements, provide the name of the approved peer review program in which the firm is enrolled, and the period covered by the firm's most recent peer review;

(c) Certify the result of the firm's most recent peer review.

Failure to timely submit complete information and the related fee, by the April 30th due date can result in the assessment of late fees. The board may waive late fees based on individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment.

(6) A firm must notify the board within thirty days of the date the peer reviewer or a team captain advises the firm that a grade of

pass with deficiencies or fail will be recommended. The notification must include the details of any required corrective action plan being recommended by the peer reviewer or team captain, and the planned date (or time period within which) the firm would intend to complete such remedial action or actions if the proposed corrective action plan is approved by the appropriate peer review acceptance committee.

Notwithstanding any extensions of time by the peer review program administrator, failure by the firm to meet its planned schedule for completing its specific corrective action plan required by the peer review program and/or timely pay for the peer review services can result in board action.

(7) **Documents required.** A firm that has opted out of participating in the AICPA Facilitated State Board Access (FSBA) program shall provide to the board copies of the following documents related to the peer review report:

- (a) Peer review report issued;
- (b) Firm's letter of response, if any;
- (c) Letter of acceptance from peer review program;
- (d) Recommended action letter from the peer review program, if any;

(e) A letter from the firm to the board describing corrective actions taken by the firm that relate to recommendations of the peer review program;

(f) Other information the firm deems important for the board's understanding of the information submitted; and

(g) Other information the board deems important for the understanding of the information submitted.

(8) **Document retention.** RCW 18.04.390(4) and WAC 4-30-051(10) require a firm to retain audit and review records and documentation for a period of seven years after the firm concludes an audit or review of a client's financial statements.

(9) **Extensions.** The board may grant an extension of time for submission of the peer review report to the board. Extensions will be determined by the board on a case-by-case basis.

(10) **Verification.** The board may verify the certifications of peer review reports that firms provide.

(11) **Exemption from peer review.**

(a) Out-of-state firms that do not have a physical location in this state, but perform attest or compilation services in this state, and are otherwise qualified for practice privileges under RCW 18.04.195 (1)(a)(iii) (A) ~~through~~ (D) or (1)(b) are not required to

participate in the board's program if the out-of-state firm participates in a board-approved peer review program or similar program approved or sponsored by another state's board of accountancy.

(b) Firms that do not perform attest services as defined by WAC 4-30-010(5), compilation services, as defined by WAC 4-30-010(12), or other professional services for which a report expressing assurance is prescribed by professional standards are not required to participate in a peer review program, and shall request exemption on each firm license renewal application.

(c) Firms that prepare financial statements **which do not require reports** under Statements on Standards for Accounting and Review Services (management use only compilation reports) and that perform no other attest or compilation services, are not required to participate in a peer review program; however, any such engagements performed by a firm that is otherwise required to participate in a peer review program shall be included in the selection of engagements subject to peer review.

(12) **Quality assurance oversight.**

(a) The board will:

(i) Annually appoint a compliance assurance oversight committee, and such other committees as the board, in its discretion deems neces-

sary, to provide oversight of the administration of approved peer review programs in order to provide reasonable assurance that peer reviews are being conducted and reported on in accordance with the minimum standards for performing and reporting on peer reviews;

(ii) Consider reports from the compliance assurance oversight committee;

(iii) Direct the evaluation of peer review reports and related documents submitted by firms;

(iv) Determine the appropriate action for firms that have unresolved matters relating to the peer review process or that have not complied with, or acted in disregard of the peer review requirements;

(v) Determine appropriate action for firms when issues with a peer review report may warrant further action; and

(vi) Take appropriate actions the board, in its discretion, deems appropriate to carry out the functions of the quality assurance review program and achieve the purpose of the peer review requirement.

(b) The **compliance assurance oversight committee** shall conduct oversight of approved peer review programs at least semiannually to provide reasonable assurance that such programs are in compliance with the minimum standards for performing and reporting on peer reviews.

(i) The compliance assurance oversight committee's oversight procedures may consist of, but are not limited to:

(A) Attending the peer review program's report acceptance body (RAB) meetings during consideration of peer review documents;

(B) Observing the peer review program administrator's internal review of program and quality control compliance;

(C) Observing the peer review program's review of the administrator's process.

(ii) The compliance oversight assurance committee shall report to the board any modifications to approved peer review programs and shall make recommendations regarding the continued approval of peer review programs.

(13) **Remedies.** The board will take appropriate action to protect the public's interest if the board determines through the peer review process or otherwise that a firm's performance and/or reporting practices are not or may not be in accordance with applicable professional standards, the firm does not comply with peer review program requirements, or the firm does not comply with all or some of the reporting, remedial action, and/or fee payment requirements of subsection (5) of this section. The board's actions may include, but are not limited to:

(a) Require the firm to develop quality control procedures to provide reasonable assurance that similar occurrences will not occur in the future;

(b) Require any individual licensee who had responsibility for, or who substantially participated in the engagement(s), to successfully complete specific courses or types of continuing education as specified by the board;

(c) Require that the reviewed firm responsible for engagement(s) submit all or specified categories of its compilation or attest working papers and reports to a preissuance evaluation performed by a board-approved licensee in a manner and for a duration prescribed by the board. Prior to the firm issuing the reports on the engagements reviewed, the board-approved licensee shall submit to the board for board acceptance a report of the findings, including the nature and frequency of recommended actions to the firm. The cost of the board-approved preissuance evaluation will be at the firm's expense;

(d) Require the reviewed firm to engage a board-approved licensee to conduct a board-prescribed on-site field review of the firm's work product and practices or perform other investigative procedures to assess the degree or pervasiveness of nonconforming work product. The board-approved licensee engaged by the firm shall submit a report of

the findings to the board within thirty days of the completion of the services. The cost of the board-prescribed on-site review or other board-prescribed procedures will be at the firm's expense; or

(e) Initiate an investigation pursuant to RCW 18.04.295, 18.04.305, and/or 18.04.320.

(f) Absent an investigation the specific rating of a single peer review report is not a sufficient basis to warrant disciplinary action.

(14) The board may solicit and review licensee reports and/or other information covered by the reports from clients, public agencies, banks, and other users of such information.

[Statutory Authority: RCW 18.04.055(9). WSR 14-16-102, § 4-30-130, filed 8/5/14, effective 9/5/14; WSR 12-17-054, § 4-30-130, filed 8/10/12, effective 9/10/12. WSR 10-24-009, amended and recodified as § 4-30-130, filed 11/18/10, effective 12/19/10; WSR 08-18-016, § 4-25-820, filed 8/25/08, effective 9/25/08; WSR 07-14-036, § 4-25-820, filed 6/26/07, effective 7/27/07; WSR 05-01-135, § 4-25-820, filed 12/16/04, effective 1/31/05; WSR 02-04-064, § 4-25-820, filed 1/31/02, effective 3/15/02. Statutory Authority: RCW 18.04.055. WSR 94-02-071, § 4-25-820, filed 1/4/94, effective 2/4/94.]

WAC 4-30-142 What are the bases for the board to impose discipline? RCW 18.04.055,—18.04.295, 18.04.305, and 18.04.350 authorize the board to revoke, suspend, refuse to issue, renew, or reinstate an individual or firm license, CPA-Inactive certificate, the right to exercise practice privileges in this state, or registration as a resident nonlicensee firm owner;—impose a fine not to exceed thirty thousand dollars; recover investigative and legal costs; impose full restitution to injured parties; impose remedial sanctions; impose conditions precedent to renew; or prohibit a resident nonlicensee from holding an ownership interest in a firm licensed in this state for the specific acts listed below.

The following are specific examples of prohibited acts that constitute grounds for discipline under RCW 18.04.295, 18.04.305, and 18.04.350. The board does not intend this listing to be all inclusive.

(1) Fraud or deceit in applying for the CPA examination, obtaining a license, registering as a resident nonlicensee firm owner, or in any filings with the board.

(2) Fraud or deceit in renewing or requesting reinstatement of a license, CPA-Inactive certificate, registration as a resident nonlicensee firm owner.

(3) Cheating on the CPA exam.

(4) Making a false or misleading statement in support of another person's application or request to:

(a) Take the national uniform CPA examination;

(b) Obtain a license or registration required by the act or board;

(c) Reinstate or modify the terms of a revoked or suspended license, certificate, or registration as a resident nonlicensee firm owner in this state;

(d) Reinstate revoked or suspended practice privileges of an individual or firm licensed in another state.

(5) Dishonesty, fraud, or negligence while representing oneself as a licensee, CPA-Inactive certificate holder, or a resident nonlicensee firm owner including but not limited to:

(a) Practicing public accounting in Washington state prior to obtaining a license required per RCW 18.04.215, obtaining a firm license as required by RCW 18.04.215 or 18.04.195, or without qualifying to operate under firm mobility;

(b) Offering or rendering public accounting services in this state by an out-of-state individual ~~or firm~~ not qualified for practice privileges under ~~RCW 18.04.195 or~~ RCW 18.04.350(2);

(c) Offering or rendering public accounting services in this state by an out of state firm not qualified for practice privileges under firm mobility per RCW 18.04.195.

(~~e~~d) Making misleading, deceptive, or untrue representations;

(~~e~~e) Engaging in acts of fiscal dishonesty;

(~~e~~f) Purposefully, knowingly, or negligently failing to file a report or record, or filing a false report or record, required by local, state, or federal law;

(~~e~~g) Unlawfully selling unregistered securities;

(~~e~~h) Unlawfully acting as an unregistered securities salesperson or broker-dealer;

(~~h~~i) Discharging a trustee's duties in a negligent manner or breaching one's fiduciary duties; or

(~~i~~j) Withdrawing or liquidating, as fees earned, funds received by a licensee, CPA-Inactive certificate holder, or a resident nonlicensee firm owner from a client as a deposit or retainer when the client contests the amount of fees earned, until such time as the dispute is resolved.

(6) The following shall be prima facie evidence that a licensee, as defined in WAC 4-30-010, CPA-Inactive certificate holder, a nonlicensee firm owner, or the employees of such persons has engaged in

dishonesty, fraud, or negligence while representing oneself as a licensee, as defined in WAC 4-30-010, CPA-Inactive certificate holder, a nonlicensee firm owner, or an employee of such persons:

(a) An order of a court of competent jurisdiction finding that the person or persons committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on the person's fitness to represent himself, herself, or itself as a licensee, as defined in WAC 4-30-010, CPA-Inactive certificate holder, or a nonlicensee firm owner;

(b) An order of a federal, state, local or foreign jurisdiction regulatory body, or a PCAOB, finding that the licensee, as defined in WAC 4-30-010, CPA-Inactive certificate holder, or nonlicensee firm owner, or employee of such persons committed an act of negligence, fraud, or dishonesty or other act reflecting adversely on the person's fitness to represent himself, herself, or itself as a licensee, as defined in WAC 4-30-010, a CPA-Inactive certificate holder, or a nonlicensee firm owner;

(c) Cancellation, revocation, suspension, or refusal to renew the right to practice as a licensee, certificate holder, or a nonlicensee firm owner by any other state for any cause other than failure to pay

a fee or to meet the requirements of continuing education in the other state; or

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

(7) Sanctions and orders entered by a nongovernmental professionally related standard-setting body for violation of ethical or technical standards in the practice of public accounting by a licensee, CPA-Inactive certificate holder, or nonlicensee firm owner;

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

(9) A conflict of interest such as:

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

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

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

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

(b) Borrowing funds from a client unless the client is in the business of making loans of the type obtained by the licensee, as de-

defined in WAC 4-30-010, CPA-Inactive certificate holder, or nonlicensee firm owner and the loan terms are not more favorable than loans extended to other persons of similar credit worthiness.

(10) A violation of the Public Accountancy Act or failure to comply with a board rule contained in Title 4 WAC, by a licensee, defined in WAC 4-30-010, CPA-Inactive certificate holder, or employees of such persons of this state or a licensee of another substantially equivalent state qualified for practice privileges, including but not limited to:

(a) An out-of-state individual exercising the practice privileges authorized by RCW 18.04.350(2) when not qualified;

(b) Submission of an application for firm license on behalf of a firm licensed in another state and ~~required to obtain a license under that does not meet the firm mobility requirements under RCW 18.04.195~~ (1)(a)(iii)(A)-(D) by an out-of-state individual not qualified under RCW 18.04.350(2) or authorized by the firm to make such application;

(c) Failure of an out-of-state individual exercising the practice privileges authorized under RCW 18.04.350(2) to cease offering or performing professional services in this state, individually or on behalf of a firm, when the license from the state of the out-of-state individual's principal place of business is no longer valid;

(d) Failure of an out-of-state individual exercising the practice privileges authorized under RCW 18.04.350(2) to cease offering or performing specific professional services in this state, individually or on behalf of a firm, when the license from the state of the out-of-state individual's principal place of business has been restricted from performing those specific services;

(e) Failure of an out of state firm operating under firm mobility per RCW 18.04.195 (1)(a) (iii), ~~not licensed~~ in this state to cease offering or performing professional services in this state through one or more out-of-state individuals whose license from the state of those individuals' principal place(s) of business is (are) no longer valid or is (are) otherwise restricted from performing the specific engagement services;

(f) Failure of a firm licensed in this state, or a firm operating under firm mobility to comply with the ownership requirements of RCW 18.04.195 within a reasonable time period, as determined by the board;

(g) Failure of a firm licensed in this state or another state to comply with the board's quality assurance program requirements, when applicable.

(11) Violation of one or more of the rules of professional conduct included in Title 4 WAC.

(12) Concealing another's violation of the Public Accountancy Act or board rules.

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

(a) Furnish any papers or documents requested or ordered to produce by the board;

(b) Furnish in writing a full and complete explanation related to a complaint as requested by the board;

(c) Respond to an inquiry of the board;

(d) Respond to subpoenas issued by the board, whether or not the recipient of the subpoena is the accused in the proceeding.

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

(15) Adjudication of a licensee, as defined by WAC 4-30-010, CPA-Inactive certificate holder, or a nonlicensee firm owner as mentally incompetent is prima facie evidence that the person lacks the professional competence required by the rules of professional conduct.

(16) Failure of a licensee, as defined by WAC 4-30-010, CPA-Inactive certificate holder, nonlicensee firm owner, or out-of-state person exercising practice privileges authorized by RCW 18.04.195 and

18.04.350 to timely notify the board, in the manner prescribed by the board, of any of the following:

(a) A sanction, order, suspension, revocation, or modification of a license, certificate, permit or practice rights by the SEC, PCAOB, IRS, or another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy;

(b) Charges filed by the SEC, IRS, PCAOB, another state board of accountancy, or a federal or state taxing, insurance or securities regulatory body that the licensee, CPA-Inactive certificate holder, or nonlicensee firm owner committed a prohibited act that would be a violation of board ethical or technical standards;

(c) Sanctions or orders entered against such persons by a nongovernmental professionally related standard-setting body for violation of ethical or technical standards in the practice of public accounting by a licensee, CPA-Inactive certificate holder, or nonlicensee firm owner.

[Statutory Authority: RCW 18.04.055(16), 18.04.195 (11)(d), 18.04.295, 18.04.305, 18.04.350(2). WSR 11-07-070, § 4-30-142, filed 3/22/11, effective 4/22/11; WSR 10-24-009, amended and recodified as § 4-30-142,

filed 11/18/10, effective 12/19/10; WSR 08-18-016, § 4-25-910, filed 8/25/08, effective 9/25/08. Statutory Authority: RCW 18.04.055(16), 18.04.295, and 18.04.305. WSR 05-01-137, § 4-25-910, filed 12/16/04, effective 1/31/05; WSR 03-24-033, § 4-25-910, filed 11/25/03, effective 12/31/03. Statutory Authority: RCW 18.04.055(11), 18.04.295, and 18.04.305. WSR 02-04-064, § 4-25-910, filed 1/31/02, effective 3/15/02; WSR 00-11-078, § 4-25-910, filed 5/15/00, effective 6/30/00. Statutory Authority: RCW 18.04.055 and 18.04.295. WSR 94-23-070, § 4-25-910, filed 11/15/94, effective 12/16/94.]