



BOARD MEETING AGENDA

Date, Time: Friday, January 31, 2020 – Board Meeting – 9:00 a.m.

Location: DoubleTree by Hilton Hotel Seattle Airport
 Cascade Room 13
 18740 International Blvd
 Seattle, WA 98188
 (206) 277-7589

Notices: 9:00 a.m. Rules Hearing

Chair Introductions

PUBLIC RULE- MAKING HEARING

	Attachments at page(s):
1. Public Rule-Making Hearing Script	9-10
2. Rule Under Consideration	
a. CR-102, Proposed Rule Making	11-13
b. 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?.....	14
3. Written Stakeholder Comments	

BOARD MEETING AGENDA

4. Rules Review	
a. Board’s deliberation on proposed rules considered at the public rule-making hearing. See listing above under Public Rule-Making Hearing – Item 2	
b. Semi-Annual Rules Development Agenda	15
c. WAC 4-30-080 How do I apply for an initial individual CPA license?	16-27
5. Minutes – October 18, 2019, Annual Board Meeting.....	28-39
6. NASBA Update	
a. Guest speakers, Daniel J. Dustin, CPA, NASBA Vice President of State Board Relations, and Laurie J. Tish, CPA, NASBA Chair	40-62
7. Delegations of Authority – Annual Review	
a. DA-001 Investigations, Subpoenas, Charges, Emergency Action, and Settlement Negotiations.....	63-66

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:

Kirsten Donovan, Washington State Board of Accountancy PO Box 9131, Olympia, WA 98507-9131 Phone: 360-664-9191 Email: Kirsten.donovan@acb.wa.gov	7-1-1 or 1-800-833-6388 (TTY) - 1-800-833-6385 (Telebraille) (TTY and Telebraille service nationwide by Washington Relay www.washingtonrelay.com) January 31, 2020 Page 1
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- b. DA-002 Request Oversight and Appeal of Denials..... 67-70
- c. DA-003 Quality Assurance Oversight..... 71-74
- d. DA-004 CR-101 Filing 75-76

8. Chair’s Report

- a. NASBA Annual Meeting Thank You
- b. Adjustments to Board Committee Assignments
- c. Expansion of Consulting Board Member (CBM) Role to Investigated Cases
Pre-dismissal
- d. Ethics Training at Board Meeting as Part of Enforcement Report
- e. Update on RCW 18.04.350(12), Public Officials and Public Employees
- f. Encouraging Licensee Participation at Board Meetings

9. Proposed New Board Policy – 2020-1 Peer Review 77-78

10. Legal Counsel’s Report

11. Committee/Task Force Reports

- a. Executive Committee – Mark Hugh, CPA, Chair - *Verbal Report*
- b. Peer Review Oversight Committee – Jacqueline Meucci, CPA, Chair – *No Report*
- c. Request Oversight Committee – Joel Cambern, Public Member, Chair – *Verbal Report ...79*
- d. Scholarship Oversight Committee – Brian R. Thomas, CPA, Chair – *Verbal Report ... 80-89*
- e. Title Reform Task Force – Mark Hugh, CPA, Chair – *Verbal Report*

12. Executive Director’s Report

- a. Budget Status Report 90-92
- b. Licensing Modernization Project Update
- c. CPE Reporting on Renewal Application93
- d. Other Matters as Needed

13. Enforcement Report

- a. Complaint Reports 94-95
- b. Ethics by Enforcement: Conflicts of Interest..... 96-97

14. Executive and/or Closed Sessions with Legal Counsel

15. Public Input - 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.



**WASHINGTON STATE
BOARD OF ACCOUNTANCY
BOARD MEETING – JANUARY 31, 2020
SUMMARY**

Date and Time: Friday, January 31, 2020 - 9:00 a.m.
Location: DoubleTree by Hilton Hotel Seattle Airport
Cascade Room 13
18740 International Blvd
Seattle, WA 98188
(206) 277-7589

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 public input roster.

January 31, 2020 - 9:00 a.m. – PUBLIC RULE-MAKING HEARING

Rules Hearing - At 9:00 a.m. the Board will hold its scheduled rules hearing to obtain public input on the proposed changes to one Board rule. Individuals wishing to comment must sign the rule-making public input roster by the door.

1. **Public Rule-Making Hearing Outline** – The script the Chair will use as a guide during the hearing is at **pages 9-10** of the meeting materials.
2. **Rules Under Consideration** –

See **pages 11-13** for the CR-102, Proposed Rule Making Notice.

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?

Page 14 contains the filing for the proposed changes to the rule. The changes: (1) Rename the rule; (2) Eliminate the licensing requirement for CPA firms that do not perform or offer to perform attest or compilation services; and (3) Align the rule with the firm licensing requirements per Chapter 18.04 RCW, which were changed with the passage of HB 1208.

The Executive Director will provide a summary of the proposed changes to the rule during the rules hearing.

3. Written Stakeholder Comments

No written stakeholder comments were received.

January 31, 2020 – BOARD MEETING

4. Rules Review

a. Board deliberation on the proposed rule considered at the public rule-making hearing.

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? – Page 14

The Executive Director is prepared to summarize the proposed changes to the rule or answer any questions for the Board during deliberation.

Does the Board wish to:

- **Adopt the rule as proposed; or**
- **Adopt the rule with minor changes that do not change the general subject matter of the proposed rule; or**
- **Amend the rule proposal and set another rules hearing date; or**
- **Withdraw the rule proposal?**

Effective date: If the Board decides to adopt the rule, the Board must determine the effective date. Rules generally become effective 31 days after filing. The Executive Director recommends making the rule effective 31 days after filing.

Does the Board wish to make the rule effective:

- **31 days after filing; or**
- **Another date?**

b. Semi-Annual Rules Development Agenda

Page 15 contains the listing of potential rule-making activities for January through June 2020 filed with the Office of the Code Reviser.

c. WAC 4-30-080 How do I apply for an initial individual CPA license?

Pages 16-24 contain an overview of the Washington Ethics & Regulations for CPA Applicants exam required for initial licensure. **Pages 25-27** contain a copy of the current rule.

The Board Chair will lead a discussion on possible changes to the rule.

Does the Board wish to:

- **File the CR-101 to begin the rule-making process; or**
- **Leave the rule as it is?**

5. Minutes – October 18, 2019

Board staff presents the draft minutes of the October 18, 2019, Annual Board meeting on **Pages 28-39** for the Board's consideration.

Does the Board approve the minutes as drafted?

6. NASBA Update

Daniel J. Dustin, CPA, NASBA Vice President of State Board Relations, and Laurie J. Tish, CPA, NASBA Chair, will provide an update on NASBA activities.

See **pages 40-62** for their NASBA Update presentation materials.

7. Delegations of Authority – Annual Review

Pages 63-76 contain the proposed 2020 delegations and the current delegations. Staff reviewed the delegations and proposes revisions to all delegations. These revisions include reformatting all delegations to include a name and delegation number for ease of use and consistency. Additional proposed revisions are outlined below.

a. DA-001 Investigations, Subpoenas, Charges, Emergency Action, and Settlement Negotiations – Pages 63-66

The proposed change combines two delegations, Charges-Subpoena to ED and Administrative Remedy to ED, into one delegation.

Does the Board wish to revise, retain, or revoke this delegation?

b. DA-002 Request Oversight and Appeal of Denials – Pages 67-70

The proposed change removes committee approval of CPE extension requests, as it is no longer required by Board Rule.

Does the Board wish to revise, retain, or revoke this delegation?

c. DA-003 Quality Assurance Oversight – Pages 71-74

The proposed change renames the Compliance Assurance Oversight Committee to the Peer Review Oversight Committee per the changes in WAC 4-30-130.

Does the Board wish to revise, retain, or revoke this delegation?

d. DA-004 CR-101 Filing – Pages 75-76

Does the Board wish to revise, retain, or revoke this delegation?

8. Chair's Report

a. NASBA Annual Meeting Thank You

b. Adjustments to Board Committee Assignments

c. Expansion of Consulting Board Member (CBM) Role to Investigated Cases Pre-dismissal

d. Ethics Training at Board Meeting as Part of Enforcement Report

e. Update on RCW 18.04.350 (12), Public Officials and Public Employees

f. Encouraging Licensee Participation at Board Meetings

9. Proposed New Board Policy – 2020-1 Peer Review

Pages 77-78 contain a revised draft of the proposed new policy which was initially discussed at the October 2019 annual Board meeting.

The purpose of the policy is to clearly define the Board's process and procedures for interacting with licensed firms who are required under WAC 4-30-130 to undergo peer review and to report the results using the AICPA's Facilitated State Board Access (FSBA) database at the time of their firm license renewal.

The Executive Director will lead the discussion.

Does the Board wish to adopt as written, adopt with revisions, or withdraw this proposed policy?

10. Legal Counsel's Report

The Board's legal counsel requests the agenda for regular Board meetings contain a placeholder item allowing for legal counsel to report on any current issues related to the Board's activities and/or Washington State law such as: the Administrative Procedures Act, Open Public Meetings Act, Public Disclosure requirements, etc.

11. Committee/Task Force Reports

- a. **Executive** – Chair: Mark Hugh, CPA; Vice Chair: Rajib Doogar, Public Member; Secretary: Joel Cambern, Public Member

Mark will give a verbal report.

- b. **Peer Review Oversight Committee** – Chair: Jacqueline Meucci, CPA; Members: Thomas G. Neill, CPA; Joel Cambern, Public Member; Carol A. Morgan, CPA

Jackie has nothing to report.

- c. **Request Oversight Committee** – Chair: Joel Cambern, Public Member; Members: Brian R. Thomas, CPA; Thomas P. Sawatzki, CPA

Page 79 contains a report on the 4th quarter approvals and denials from the committee.

Joel will give a verbal report.

- g. **Scholarship Oversight Committee** – Chair: Brian R. Thomas, CPA; Members: Jacqueline Meucci, CPA; Kate Dixon, Public Member; Carol A. Morgan, CPA

Pages 80-87 contain the 2019 Report of the Washington CPA Foundation Accounting Scholarship Program.

Pages 88-89 contain the WBOA Certified Public Accounting Scholarships listing.

Brian will give a verbal report.

- h. **Title Reform Task Force** – Chair: Mark Hugh, CPA; Members: Rajib Doogar, Public Member; Kate Dixon, Public Member; Thomas P. Sawatzki, CPA

Mark has nothing to report.

12. Executive Director's Report

- a. **Budget Status**

Pages 90-92 contain the Allotment Expenditure/Revenue LTD Flexible Report, the Certified Public Accountant's Account Fund Balance, and the CPA Scholarship

Transfer Account Fund Balance for transactions through December 31, 2019.

b. Licensing Modernization Project Update

c. CPE Reporting on Renewal Application

Page 93 contains a proposed process change on CPE reporting.

d. Other Matters as Needed

13. Enforcement Report

Taylor Shahon, CPA, Lead Investigator, will provide a verbal report on investigations.

Pages 94-95 contain the Quarterly Enforcement Report for October 1, 2019 through December 31, 2019 and the Resolved Complaint Report for periods January 2019 to December 2019 and January 2018 to December 2018.

Pages 96-97 contain the report, Ethics by Enforcement: Conflict of Interest.

14. 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 that the Board and legal counsel may enter into executive or closed session when determined appropriate.

15. 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.

**WASHINGTON STATE BOARD OF ACCOUNTANCY
RULES HEARING OUTLINE
JANUARY 31, 2020**

Presiding officer read or paraphrase BOLD type entries

Italics are explanatory notes to presiding officer

Opening statement:

The Board of Accountancy rules hearing is now in session. The date is Friday, January 31, 2020. The time is _____. My name is Mark Hugh. I am Chair of the Board of Accountancy.

Copies of the rule proposals are available at the back of the room. If you have not already done so, please register your attendance at this hearing on the attendance roster at the back of the room. Please indicate on the roster whether you wish to testify.

Have Board Members, legal counsel, and staff in attendance introduce themselves.

Explain hearing sequence and ground rules as follows:

The hearing will be conducted as follows:

- 1. I will identify the rule presented for testimony and present a brief statement for the proposal.**
- 2. I will use the attendance roster to invite testimony on the proposal. When you give testimony, please:**
 - Stand**
 - State your name and organization if you speak for a group**
 - Limit your testimony to the rule proposal currently before the Board.**
 - After you testify, please remain standing for questions, and**
 - If you are testifying from text, please provide a copy to Board staff.**

Testimony is limited to 10 minutes for each speaker.

- 3. When the testimony is complete the hearing will be closed. The Board will consider the proposed rule changes at its Board meeting later today.**

The rule proposal concerns:

- 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?**

I will present a brief statement for the proposal. *Mark presents the statement.*

The rule proposal has been identified. We will now move to the testimony.

1. *TESTIMONY FROM ATTENDANCE ROSTER*

Ask for testimony from the audience according to the order on the attendance roster. After testimony is complete you will invite questions from the Board members.

Will (name of individual) please come forward to present testimony?

When the testimony is complete you may ask questions of the individual.

2. *OTHER TESTIMONY*

*After all persons on the attendance roster have testified, ask if others wish to testify. **Is there anyone who wishes to testify that has not had the opportunity?***

3. *CLOSING STATEMENT:*

Thank you for your testimony.

The Board will deliberate on the oral and written testimony and the proposed rule later today during its annual Board meeting. All participants will be notified of the Board's decision regarding the proposed rule. Thank you all for your participation. The time is _____ and this hearing is now closed.



PROPOSED RULE MAKING

CR-102 (December 2017) (Implements RCW 34.05.320)

Do NOT use for expedited rule making

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: October 24, 2019

TIME: 8:48 AM

WSR 19-22-001

Agency: Board of Accountancy

- Original Notice
- Supplemental Notice to WSR _____
- Continuance of WSR _____

- Preproposal Statement of Inquiry was filed as WSR 19-16-073 ; or
- Expedited Rule Making--Proposed notice was filed as WSR _____; or
- Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1); or
- Proposal is exempt under RCW _____.

Title of rule and other identifying information: (describe subject) 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?

Hearing location(s):

Date:	Time:	Location: (be specific)	Comment:
January 31, 2020	9:00 A.M.	DoubleTree by Hilton Hotel Seattle Airport Cascade Room 13 18740 International Boulevard Seattle, WA 98188	

Date of intended adoption: January 31, 2020 (Note: This is NOT the effective date)

Submit written comments to:

Name: Kirsten Donovan, Rules Coordinator
 Address: P.O. Box 9131
 Olympia, WA 98507
 Email: Kirsten.donovan@acb.wa.gov
 Fax: 360-664-9190
 Other:
 By (date) January 29, 2020

Assistance for persons with disabilities:

Contact Kirsten Donovan, Rules Coordinator
 Phone: 360-664-9191
 Fax: 360-664-9190
 TTY: 771
 Email: Kirsten.donovan@acb.wa.gov
 Other:
 By (date) January 29, 2020

Purpose of the proposal and its anticipated effects, including any changes in existing rules: The board of accountancy proposes amending :
 WAC 4-30-112 to: (1) Rename the rule; (2) Eliminate the firm licensing requirement for CPA firms that do not perform or offer attest or compilation services; and (3) Align the rule with the firm licensing requirements per Chapter 18.04 RCW, which were changed with the passage of HB 1208.

Reasons supporting proposal: See purposes above

Statutory authority for adoption: RCW 18.04.055

Statute being implemented: RCW 18.04.055

Is rule necessary because of a:

Federal Law? Yes No
Federal Court Decision? Yes No
State Court Decision? Yes No

If yes, CITATION:

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization) Board of Accountancy Private
 Public
 Governmental

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting:	Charles E. Satterlund, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 586-0785
Implementation:	Charles E. Satterlund, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 586-0785
Enforcement:	Charles E. Satterlund, CPA	711 Capitol Way S Suite 400 Olympia, WA 98501	(360) 586-0785

Is a school district fiscal impact statement required under RCW 28A.305.135? Yes No

If yes, insert statement here:

The public may obtain a copy of the school district fiscal impact statement by contacting:

Name:
Address:
Phone:
Fax:
TTY:
Email:
Other:

Is a cost-benefit analysis required under RCW 34.05.328?

Yes: A preliminary cost-benefit analysis may be obtained by contacting:
Name:
Address:
Phone:
Fax:
TTY:
Email:
Other:

No: Please explain: The Board of Accountancy is not a listed agency in RCW 34.05.328(5)(a)(i).

Regulatory Fairness Act Cost Considerations for a Small Business Economic Impact Statement:

This rule proposal, or portions of the proposal, **may be exempt** from requirements of the Regulatory Fairness Act (see chapter 19.85 RCW). Please check the box for any applicable exemption(s):

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.061 because this rule making is being adopted solely to conform and/or comply with federal statute or regulations. Please cite the specific federal statute or regulation this rule is being adopted to conform or comply with, and describe the consequences to the state if the rule is not adopted.

Citation and description:

This rule proposal, or portions of the proposal, is exempt because the agency has completed the pilot rule process defined by RCW 34.05.313 before filing the notice of this proposed rule.

This rule proposal, or portions of the proposal, is exempt under the provisions of RCW 15.65.570(2) because it was adopted by a referendum.

This rule proposal, or portions of the proposal, is exempt under RCW 19.85.025(3). Check all that apply:

- RCW 34.05.310 (4)(b) (Internal government operations)
- RCW 34.05.310 (4)(c) (Incorporation by reference)
- RCW 34.05.310 (4)(d) (Correct or clarify language)
- RCW 34.05.310 (4)(e) (Dictated by statute)
- RCW 34.05.310 (4)(f) (Set or adjust fees)
- RCW 34.05.310 (4)(g) ((i) Relating to agency hearings; or (ii) process requirements for applying to an agency for a license or permit)

This rule proposal, or portions of the proposal, is exempt under RCW ____.

Explanation of exemptions, if necessary:

COMPLETE THIS SECTION ONLY IF NO EXEMPTION APPLIES

If the proposed rule is **not exempt**, does it impose more-than-minor costs (as defined by RCW 19.85.020(2)) on businesses?

- No Briefly summarize the agency's analysis showing how costs were calculated. No additional costs are associated with the changes in CPA firm licensing. Costs will actually go down as fewer firms will be required to hold a CPA firm license.
- Yes Calculations show the rule proposal likely imposes more-than-minor cost to businesses, and a small business economic impact statement is required. Insert statement here:

The public may obtain a copy of the small business economic impact statement or the detailed cost calculations by contacting:

- Name:
- Address:
- Phone:
- Fax:
- TTY:
- Email:
- Other:

Date: 10/24/2019

Name: Charles E. Satterlund, CPA

Title: Executive Director

Signature:



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?~~) In state and out-of-state firm licensing requirements.

(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 (~~or~~~~

~~(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).~~

(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 described in RCW 18.04.025(1), and meets the requirements listed in RCW 18.04.195 (1)(a)(iii)(A) through (D).

(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.

(4) As a condition of this privilege, any nonresident firm meeting the requirement of subsection (2) or (3) of this section 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) (~~(e)~~) 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 services by the state(s) in which the principal place of business of such individual(s) is (are) located.



STATE OF WASHINGTON
BOARD OF ACCOUNTANCY
PO Box 9131 • Olympia, Washington 98507-9131
(360) 753-2585 • FAX (360) 664-9190 • www.cpaboard.wa.gov

Semi-Annual Rules Development Agenda
January 2020 through June 2020

The Washington State Board of Accountancy's semi-annual, rules development agenda follows for publication in the Washington State register under RCW 34.05.314.

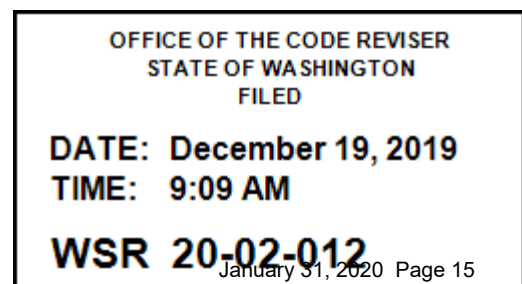
This agenda is for information purposes, and the noted dates of anticipated activity are estimates. Additional rule development activity not on the agenda may occur as conditions warrant.

If you have questions about this rule development agenda, please contact:

Charles Satterlund, CPA, Executive Director
PO Box 9131, Olympia, WA 98507-9131
Phone: (360) 586-0785; Email: Charles.Satterlund@acb.wa.gov

WAC Citation	Subject Matter	Anticipated Activity Dates		
		Preproposal (CR-101)	Proposed (CR-102) or Expedited (CR-105)	Permanent (CR-103)
WAC 4-30-080	How do I apply for an initial individual CPA license?	February 2020	May 2020	August 2020
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?	August 2019	October 2019	February 2020

Charles Satterlund, CPA
Executive Director



To: Washington Accountancy Board
From: Mark Hugh and Jennifer Sciba
Re: Washington ethics exam for CPA applicants
Date: January 17, 2020

As part of the application for an initial Washington CPA license, an applicant has been required for many years to achieve a score of at least 90% on the AICPA ethics exam, an open book self-study course. WAC 4-30-080(1)(e).

In 2014, an additional requirement was added, that the applicant must achieve a score of at least 90% on an initial course covering the Washington Public Accountancy Act, Board rules, and Board policies. WAC 4-30-080(1)(f).

This latter Washington only requirement is an online electronic exam that is administered by the Board. Applicants must answer 30 questions which are generated from an overall population of approximately 100 questions, to ensure that no applicant receives the same exam as another applicant. Once an applicant has started the online exam, they must complete the exam within eight hours.

The Washington only exam was created with the best of intentions, to ensure that new Washington licensees were familiar with Washington law, rules, and policies. However, since it was created, it has a troubled history.

Initially, the exam generated a high failure rate and complaints about both the exam and the Board generated study guide. Mark Hugh, not a Board member at the time, was engaged by the Board to create a new study guide. Because of the numerous complaints about the exam, Mark requested permission to take the online exam in order to see the types of questions that were generating the high failure rate and the complaints. Mark completed the exam twice.

Mark's impression of the exam was that much of the content was esoteric and irrelevant to the basic information a new licensee needed to know about Washington law, rules, and policies. There were questions about requirements for CPA-Inactive Certificate Holders, although that was a grandfathered class from 2001. There were questions regarding international educational verification requirements, although that impacted only a few applicants. There were questions unrelated to Washington at all, such as how is a felony defined under federal law.

In 2017 Mark and Tom Neill reviewed the entire population of questions, and removed questions they felt were irrelevant and edited questions they felt were confusing.

Over time, complaints about the exam have declined and the first-time pass rate increased, but the exam is still difficult for new applicants.

The history of administering the exam is also troubled. Initially, the exam registration was to be provided by another state agency. Despite that the volume of potential applicants was discussed beforehand, the day the rule became effective the other agency decided they would be unable to provide registration services to the Board due to the high volume. This added an unexpected burden on the Board, as now the Board had to register all initial license applicants.

On an ongoing basis, depending on CPA exam score release dates, the Board can receive as many as 125 emails per week for individuals requesting initial registration or a retake of the exam. And, during a typical work week, the Board can receive as many as 75 emails regarding the exam.

And, regardless of the intentions, the purpose of the exam quickly becomes redundant for the new licensees, as new licensees, like all licensees, are required to take a four-hour Washington specific ethics course in their first licensing cycle as well as all subsequent licensing cycles.

The exam has historically generated bad will for the Board, creates administrative burdens for the Board, and is unnecessary based upon the Washington specific ethics requirement for CPE. Therefore, we are proposing the Board consider eliminating the requirement of a Washington only exam by removing the requirement in WAC 4-30-080(1)(f).

New licensees should still be familiar with Washington law, rules, and policies and therefore instead on their initial license application, applicants will be required to certify that they have reviewed a short video on the Board's website. The proposed video would be created by NASBA with a script created by the Board, which is attached.

There will also be no change to the requirement that all licensees, including those in their first licensing cycle, are required to take a four-hour Washington specific ethics course in every licensing cycle. The proposed video will specifically recommend, but not require, that new licensees take Washington specific ethics in their first year of licensure.

Washington Information for CPA Applicants

Important things to know at the start.....	1
Welcome from the Washington Board of Accountancy.....	1
The CPA profession is a government regulated profession	1
The AICPA Code as the starting point for ethics	1
Washington Board rules are always the next step	1
Washington administrative rules have the force of law	1
Standards must be met in fact and appearance	2
Providing “professional services” is broadly defined.....	2
Washington authorities and where to find them	2
The Revised Code of Washington	2
The Washington Administrative Code	2
Washington Board of Accountancy policies	2
Renewal of a CPA license.....	3
A three-year license that expires on June 30 of a year.....	3
Renewal of an individual license	3
Late renewal application	3
Failure to file a renewal application.....	3
Continuing professional education (CPE)	3
Triennial and annual minimum CPE requirements	3
CPE reporting period versus the renewal period for a license.....	3
Washington specific ethics is required every three years	4
Minimum credits allowable	4
No carryforward of CPE credits allowed between three-year periods.....	4
Failure to complete CPE	4
Reporting and documenting CPE	5
Reporting CPE with the renewal application	5
Documenting CPE.....	5
Record retention for CPE documentation	5
Other Washington reporting duties	5
Notifying the Washington Board of a change of address.....	5
Responding to inquiries from the Washington Board	5
Notifying the Washington Board about other enforcement actions.....	6
Further Washington resources	6
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Washington Information for CPA Applicants

Important things to know at the start

Welcome from the Washington Board of Accountancy

The Washington Board of Accountancy is the governmental agency that initially qualifies and monitors the quality of CPA's and CPA firms in Washington.

The Washington Board is the primary regulator in Washington of CPA's and CPA firms and its rules and requirements take precedent over all other professional standards.

The CPA profession is a government regulated profession

For more than 100 years, accounting has been a regulated profession in Washington for the purposes of consumer protection. Therefore, your right to represent yourself as a CPA and offer professional services is granted to you by the Washington Board and not by virtue of your education or membership in any voluntary membership organizations such as state CPA societies or similar national organizations.

The AICPA Code as the starting point for ethics

Washington has adopted the AICPA Code of Professional Conduct and its interpretations as the starting point for its ethics rules.

You can find a link to the AICPA Code of Professional Conduct and its interpretations at <https://pub.aicpa.org/codeofconduct/Ethics.aspx>

Washington Board rules are always the next step

Washington and AICPA ethics rules are not always the same and often Washington rules are more restrictive than AICPA rules.

Therefore, while it's important to read the AICPA rule or interpretation first, it's just as important to find any Washington rule next.

It is your duty to understand both applicable professional standards on ethics and the Washington Board's rules, and follow the more restrictive standard.

Washington administrative rules have the force of law

Administrative rules in Washington are considered to have the force of the law they interpret. In the case of a conflict between Washington Board rules and other professional standards, Washington Board rules prevail.

Standards must be met in fact and appearance

Ethical standards must be met in both fact and appearance. Appearance is in the perception of a reasonable third party.

Many professional standards setting bodies create rule-based systems for determining that a CPA has met a standard in fact. Because the Washington Board is guided by the mission of consumer protection, it places greater emphasis on whether the CPA has met the standard in appearance. This creates a high burden of proof upon the CPA.

Providing “professional services” is broadly defined

Washington Board rules apply to providing “professional services.” This includes all services requiring accounting or related skills that are performed by a CPA for a client, an employer, or on a volunteer basis.

Washington authorities and where to find them

The Revised Code of Washington

The Revised Code of Washington (“RCW”) is the compilation of all permanent laws now in force.

Chapter 18.04 RCW is the Public Accountancy Act and you can find a link to the law by visiting the Washington Board’s website at www.acb.wa.gov.

The Washington Administrative Code

The Washington Administrative Code (“WAC”) is legislative, procedural, and interpretive rules written by administrative agencies and boards.

Title 4 WAC is Washington Board of Accountancy rules and you can find a link to the law by visiting the Washington Board’s website at www.acb.wa.gov.

Washington Board of Accountancy policies

The Washington Board creates and publishes policies and you can find a link to policies by visiting the Washington Board’s website at www.acb.wa.gov.

Renewal of a CPA license

A three-year license that expires on June 30 of a year

A CPA license is granted for a three-year fiscal period, expiring on June 30 of the third calendar year following the calendar year of renewal.

Renewal of an individual license

To renew your individual license, you must by April 30 of the year of expiration make application through the Washington Board's on-line application system.

After renewal, your new three-year license will be effective as of July 1 of the renewal year.

Late renewal application

Failure to file a complete application for renewal of an individual license by April 30 of the year of expiration will result in late fees.

Failure to file a renewal application

If you fail to file a complete application for renewal of an individual license by June 30 of the year of renewal, your individual license will lapse.

If you lapse your license, you no longer can use the title "CPA" or any other title that implies you are a licensed CPA.

Continuing professional education (CPE)

Triennial and annual minimum CPE requirements

An individual must complete of a minimum of 120 CPE credit hours within the three-year CPE reporting period; a four credit hour Washington Board approved ethics course; a minimum of 20 CPE credit hours during each calendar year included in the three-year CPE reporting period; and completion of no more than 60 CPE credit hours in nontechnical subject areas.

CPE reporting period versus the renewal period for a license

A CPE reporting period is a calendar year time period beginning in the calendar year a credential is first issued by the Washington Board and ending on December 31 of the subsequent third calendar year.

CPE reporting periods are always based upon three calendar years, which is different than the license renewal period, which is based upon three fiscal years.

A license renewal period is the fiscal year ending on June 30 in which the three-year license expires. The three-year CPE reporting period ends on December 31 of the calendar year prior to the calendar year that contains the license renewal period.

Washington specific ethics is required every three years

Washington specific ethics is a required class for each Washington CPA. During each three-year reporting period after initial licensing the Washington Board of Accountancy requires all individuals to complete four CPE hours in Washington ethics.

The ethics course must be approved in advance by the Washington Board to qualify. Because some sponsors offer ethics courses not approved by the Washington Board, the Washington Board requires CPA's to disclose on their license renewals the course name, the instructor, and the date taken.

You can find a link of qualifying Washington Board approved ethics classes by visiting the Washington Board's website at www.acb.wa.gov.

It is recommended, but not required, that new Washington CPA's take a Washington Board approved four-hour ethics course in their first year after their license is issued.

Minimum credits allowable

Other than nano learning, CPE credit is given in half-hour increments only after the first full CPE credit hour has been earned.

A minimum of 50 minutes of continuous instruction constitutes one CPE credit hour and after the first 50-minute segment has been earned, 25 minutes constitutes one-half CPE credit hour

No carryforward of CPE credits allowed between three-year periods

CPE credit hours you complete during one CPE reporting period cannot be carried forward to the next period.

Failure to complete CPE

If you did not complete the required credit hours of CPE required to renew your license or did not submit a timely extension request, your individual license will lapse on June 30 of the year of renewal.

Reporting and documenting CPE

Reporting CPE with the renewal application

The reporting of compliance with CPE requirements is concurrent with the filing of a renewal application.

The Washington Board may verify, through audits, compliance with CPE and supporting documentation requirements.

Documenting CPE

For each program for which CPE credit is claimed, the filer must retain documentation to support all of the following required information:

- Program sponsor.
- Title of program or description of content.
- Date(s) attended.
- Number of CPE credit hour(s).
- Attendee name.
- Acceptable evidence of completion.

Record retention for CPE documentation

Supporting documentation for CPE credit claimed must be retained for three years after the end of the CPE reporting period in which the credit was claimed.

Other Washington reporting duties

Notifying the Washington Board of a change of address

All individuals licensed in Washington must notify the Washington Board in writing within 30 days of any change of address.

Responding to inquiries from the Washington Board

All individuals must respond, in writing, to Washington Board communications requesting a response.

Your response must be made within 20 days of the date the Washington Board's communication is posted in the U.S. mail.

Notifying the Washington Board about other enforcement actions

A CPA must notify the Washington Board within 30 days of the issuance of 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 CPE requirements of another state board of accountancy.

A CPA must notify the Washington Board within 30 days of 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 CPA committed a prohibited act that would be a violation of Washington Board ethical or technical standards.

Further Washington resources

Web based resources

The Public Accountancy Act, Washington Board of Accountancy, rules, policies, forms, and other information is available on the Washington Board's website at www.acb.wa.gov.

Contacting the Washington Board of Accountancy

Please contact the Board if you have any questions at customerservice@acb.wa.gov or (360) 753-2586.

WAC 4-30-080 How do I apply for an initial individual CPA

license? (1) To qualify to apply for an initial license you must meet the following criteria and requirements:

(a) Good character requirements of RCW 18.04.105 (1)(a);

(b) Education requirements of WAC 4-30-060;

(c) Examination requirements of WAC 4-30-062;

(d) Experience requirements of WAC 4-30-070;

(e) Achieve and document a passing grade of ninety percent or better on a course covering the complete content of the AICPA Code of Professional Conduct;

(f) Achieve and document a passing grade of ninety percent or better on a board-approved initial course covering the Washington State Public Accountancy Act, related board rules, and board policies.

(2) If more than four years have lapsed since you passed the examination, you must meet the CPE requirements of WAC 4-30-134 (2)(a) within the thirty-six month period immediately preceding submission of your license application. That CPE must include CPE hours in ethics and regulation meeting the requirements of WAC 4-30-134(6). This regulatory ethics portion

of the combined one hundred twenty-hour CPE requirement must be completed within the six month period immediately preceding submission of your license application.

(3) You must provide the required information, documents, and fees to the board either by making application through the board's online application system or on a form provided upon request. You must provide all requested information, documents and fees to the board before the application will be evaluated.

(4) Upon assessment of your qualifications and approval of your application, your licensed status will be posted in the board's licensee database and, therefore, made publicly available for confirmation. A hard copy of your license can be provided upon request.

(5) Your initial license will expire on June 30 of the third calendar year following initial licensure.

(6) You may not use the title CPA until the date the approval of your license is posted in the board's licensee database and, therefore, made publicly available for confirmation.

[Statutory Authority: RCW 18.04.055 (7), (14), and 18.04.215(5).
WSR 13-22-001, § 4-30-080, filed 10/23/13, effective 1/1/14.
Statutory Authority: RCW 18.04.055, 18.04.105(1), 18.04.215(1).
WSR 10-24-009, amended and recodified as § 4-30-080, filed
11/18/10, effective 12/19/10; WSR 08-18-016, § 4-25-745, filed
8/25/08, effective 9/25/08; WSR 05-01-137, § 4-25-745, filed
12/16/04, effective 1/31/05; WSR 02-04-064, § 4-25-745, filed
1/31/02, effective 3/15/02. Statutory Authority: RCW 18.04.055,
18.04.105 and 18.04.215. WSR 99-18-115, § 4-25-745, filed
9/1/99, effective 1/1/00.]

WASHINGTON STATE BOARD OF ACCOUNTANCY

Unapproved Draft - Minutes of an Annual Meeting of the Board – Unapproved Draft

Time and Place of Meeting 9:00 a.m. – 12:27 p.m. Friday, October 18, 2019
Capitol Event Center
Lewis and Mason Rooms
6005 Tye Dr SW
Tumwater, WA 98512

Attendance Board Members
Mark Hugh, CPA, Chair, Board Member
Thomas G. Neill, CPA, Vice Chair, Board Member
Joel Cambern, Secretary, Public Member
Rajib Doogar, Public Member
Brian R. Thomas, CPA, Board Member
Jacqueline Meucci, CPA, Board Member
Kate Dixon, Public Member
Carol A. Morgan, CPA, Board Member

Staff and Advisors
Charles E. Satterlund, CPA, Executive Director
Bruce L. Turcott, Assistant Attorney General, Board Advisor
Jennifer Sciba, Deputy Director
Taylor Shahon, CPA, Lead Investigator
Kirsten Donovan, Board Clerk

Public Rule-Making Hearing The Board held a public rule-making hearing from 9:03 a.m. to 9:07 a.m. The Board Chair presided. The Board proposed to amend:

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

The proposed changes: (1) Rename the rule; (2) Eliminate the thirty day notification requirement for peer review; (3) Require participation in the AICPA Facilitated State Board Access (FSBA) program; and (4) Correct reference numbers to various WAC sections and subsections where the numbers have changed or been eliminated.

The Board Chair presented a brief statement on the rule.

The Board did not receive any written comments regarding the proposed rule changes.

No public input was received during the hearing.

Call to Order Board Chair, Mark Hugh, called the annual meeting of the Board to order at 9:07 a.m.

Minutes, October 18, 2019, Annual Board Meeting

Minutes – July 26, 2019 Regular Board Meeting

The Board approved the minutes of the July 26, 2019, regular Board meeting as presented.

Rules Review

Board Deliberation on Proposed Rule Considered at the Public Rule-making Hearing

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

The Board voted unanimously to adopt the rule with minor changes that do not change the general subject matter of the proposed rules. The Board changed the name of the compliance assurance oversight committee to the peer review oversight committee. This change occurred five times within the proposed rule.

The Board voted for an implementation date of January 1, 2020.

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?

The Executive Director led the discussion on the proposed changes.

The Board directed staff to file the CR-102 as written for this proposal and schedule a public rule-making hearing in conjunction with the Board's January meeting.

Expedited Rule-Making

This process allows for rule changes in limited circumstances without the requirement to hold a public rule making hearing – provided that no public objections are received.

Rule-making is necessary to correct section and subsection numbering for the following rules due to recent changes in the CPE rules.

- WAC 4-30-080 How do I apply for an initial individual CPA license?
- WAC 4-30-122 If I retire my license or CPA-Inactive

certificate, how do I apply to renew my license or CPA-Inactive certificate out of retirement?

- WAC 4-30-124 How do I reinstate a lapsed individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner?

The Board directed staff to file the CR-105 as written for this proposal.

Proposed New Board Policy – 2019-1 Peer Review

2019-1 Peer Review

The Executive Director presented a draft and led the discussion on the proposed new policy. The purpose of the policy is to clearly define the Board's process and procedures for interacting with licensed firms who are required under WAC 4-30-130 to undergo peer review and to report the results using the AICPA's Facilitated State Board Access (FSBA) database at the time of their firm license renewal.

The Board directed staff to make several edits to the proposed new policy. The proposed new policy will be added as an agenda item for consideration at the next Board meeting.

Chair's Report

Election of 2020 Officers – The Chair presented the following slate of officers to serve during 2020:

- Chair – Mark Hugh, CPA
- Vice Chair – Rajib Doogar, Public Member
- Secretary – Joel Cambern, Public Member

No other nominations were made. The Board cast a unanimous vote for the slate of officers presented.

2020 Board Meeting Schedule – The Board established the following schedule for the 2020 Board meetings:

- January 31, 2020 – DoubleTree by Hilton Hotel Seattle Airport – Seattle
- April 24, 2020 – DoubleTree by Hilton Hotel Seattle Airport – Seattle
- July 31, 2020 – Hilton Garden Inn Spokane Airport – Spokane
- October 16, 2020 – Capitol Event Center – Tumwater

Committee Appointments for 2020

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The Board Chair presented and led the discussion on a new committee and task force structure. The Board decided that the creation of task forces rather than maintaining long-standing committees was a better method of handling matters under many circumstances when issues arise. Committees required by rule or statute will remain.

For the following committees and task forces, the Board voted unanimously to:

Retain:

- Executive Committee
- Peer Review Oversight Committee (name changed from Compliance Assurance Oversight Committee)
- Request Oversight Committee (name changed from the Request Review Committee)
- Scholarship Oversight Committee (name changed from WSCPA Education Fund Committee)

Create:

- Title Reform Task Force

Dissolve:

- State Ethics Compliance Committee
- Qualifications Committee
- Performance Review and Succession Committee
- Peer Review Task Force
- Firm Rule Task Force

The Board made the following committee appointments for 2020:

- Peer Review Oversight Committee

Chair:

Jacqueline Meucci , CPA

Members:

Joel Cambern, Public Member

Carol A. Morgan, CPA

Thomas G. Neill, CPA (ends June 9, 2020)

Mark Hugh, CPA (begins June 10, 2020)

Non-Board Volunteers:

Robert Loe, CPA

Laura Lindal, CPA

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- Request Oversight Committee
Chair:
Joel Cambern, Public Member
Members:
Brian R. Thomas, CPA
Thomas P. Sawatzki, CPA
- Scholarship Oversight Committee
Chair:
Jacqueline Meucci, CPA
Members:
Brian R. Thomas, CPA
Kate Dixon, Public Member
Carol A. Morgan, CPA
- Title Reform Task Force
Chair:
Mark Hugh, CPA
Members:
Rajib Doogar, Public Member
Kate Dixon, Public Member
Carol A. Morgan, CPA

CPA Evolution Initiative – NASBA Comments

The Chair reported that the Board's comments regarding the CPA Evolution Initiative were sent to Laurie Tish, NASBA Vice Chair, and Dan Dustin, Vice President of State Board Relations, on August 7, 2019. Board staff received a response the next day, and a phone conference was scheduled for August 13. On the call were Laurie Tish, Dan Dustin, Mark Hugh, Board Chair, Charles Satterlund, Executive Director, and Jennifer Sciba, Deputy Director. The discussion included: data technologists working in CPA firms; protecting the attest function; the inability of regulators in red states to amend laws or rules; content of the CPA Exam; and education requirements to sit for the CPA Exam.

This topic will be a main focus at the NASBA Annual Meeting, so more information will follow after the meeting.

AICPA Peer Review Conference Update

The Chair reported that he attended the AICPA Peer Review Conference in Washington DC from August 5-7, 2019. The Chair reported that it was a great conference and experience, which expanded his knowledge of the peer review process. A topic of concern discussed at the conference was that smaller CPA firms are being driven out of peer review.

The Chair has the goal of sending one Board Member to the conference each year.

Legal Counsel's Report Bruce Turcott, the Board's legal counsel, had nothing to report.

NASBA Update The Executive Director reported on the following:

- Upcoming NASBA Annual meeting with expected discussion on CPA Evolution
- Concerns on peer review

Tom Neill reported on recent discussions of the AICPA/NASBA Uniform Accountancy Act (UAA) committee:

- Ways to improve audit quality
- Potential updates to the Model Rules regarding peer review
- Changes in who can serve as a (Peer Review Oversight Committee) PROC member
- Changes in the work experience requirements for CPAs who sign audit reports
 - Potential requirement of 2,000 hours of firm audit experience before issuing reports
 - Concern over who would be responsible for monitoring this requirement

CPA-Inactive Certificateholder Title Reform Presentation The Board Chair presented and led the discussion on the PowerPoint – Washington Title Reform.

The Board agreed that reform is necessary to:

- Prevent confusion between the CPA-Inactive Certificateholder and CPA titles when dealing with the public and other state Boards

Minutes, October 18, 2019, Annual Board Meeting

- Maintain consistency with other Boards for mobility and substantial equivalency

Reform will require extensive changes to the Public Accountancy Act and Board Rules. Board staff will begin the process which the Executive Director will address in his section of the meeting.

Executive Committee

The Board Chair reported that the committee members met by phone and discussed the agenda content and committee and task force structure.

Compliance Assurance Oversight Committee

Tom Neill presented the 2019 Quality Assurance Review (QAR) Results Report.

Tom also provided an update on the ongoing issue of noncompliance with laws and regulations (NOCLAR). He stated that the Professional Ethics Executive Committee (PEEC)/UAA task force proposed that the Auditing Standards Board (ASB) take up the issue when attest services are involved.

Tom reported that either Robert Loe or Laura Lindal have attended each Report Acceptance Body (RAB) meeting. Robert and Laura reported that the:

- Meetings are going well
- Process is constructive
- Cooperation has been good

Request Review Committee

Joel Cambern reported on the 3rd quarter 2019 approval and denials from the committee:

Firm Names: Approved:

ACCOUNTING WITH PURPOSE, LLC
AFFINITY GROUP CPAS & CONSULTANTS, PLLC
C1 ADVISORS PLLC
PNW CPA
TJH CPA, LLC
NUMBERS DON'T LIE, CPA LLC
SKJ & COMPANY, P.S

Professional/Educational Organization - Recognition Requests

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During the 3rd quarter 2019, the Board did not receive any requests for recognition as an educational organization for purposes of obtaining list requests.

Domestic or Foreign Education Credential Evaluation Services – Applications

During the 3rd quarter 2019, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

State Ethics Compliance Committee

Brian Thomas reported that he reviewed the annual state ethics compliance checklists completed by Board staff. He noted that two staff members included outside employment for compensation on their compliance checklists. He recommended to the Executive Director (ED) that either approval documentation should be attached to the compliance checklist or the ED should also sign the staff members' compliance checklists.

This committee was dissolved.

Qualifications Committee

Rajib Doogar presented the Evaluation of Chartered Accountants through NIES report and led the discussion on accepting Chartered Accountants education towards the education requirement.

The Board voted unanimously to allow NIES to evaluate and accept the academic pathway for Chartered Accountants.

This committee was dissolved.

Performance Review and Succession Committee

Joel Cambern had nothing to report.

This committee was dissolved.

WSCPA Education Fund

Jackie Meucci presented the Projected Fund Balance and Estimated Expenses for Administering Washington State Certified Public Accounting Scholarship Program – for the Year Ending September 30, 2020.

Peer Review Task Force

Tom Neill had nothing to report. This committee was dissolved.

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Firm Rule Task Force Tom Neill had nothing to report. This committee was dissolved.

Executive Director's Report

Budget Status Report

The Executive Director presented the Allotment Expenditure/Revenue BTD Flexible Report, the Certified Public Accountant's Account Fund Balance, and the CPA Scholarship Transfer Account Fund Balance for transactions run through September 30, 2019.

Paul Bitar, CPA, Senior Financial Consultant to the Board reported on the following:

- Monthly financial statements
- Fund balance projection
- Licensing system modernization project expenses
- Low revenue biennium due to low renewal year for 2020
- Agency is doing great financially

Legislative Planning for Title Reform

The Executive Director reported on projected title reform legislation:

- Statute drafting should be complete by February 2020
- Agency led legislation in 2021 legislative session
- Explanation to legislators may be the biggest obstacle
- Key legislators will be contacted for support

Outreach

The Executive Director reported on upcoming Board Member and staff outreach:

- Tom Neill and the Executive Director will take part in the University of Washington – Bothell's annual ethics conference
- Carol Morgan will give a keynote address regarding her accounting career at Evergreen State College

IT Development

The Deputy Director reported on the licensing modernization project:

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- Current system has undergone patchwork upgrades over the past several years
- Low renewal year allows for staff to devote time to testing the new system
- Office of the Chief Information Officer (OCIO) project oversight – all phases of the project are available for viewing on the OCIO's website through the project dashboard
- The Readiness Assessment and Feasibility Report have been completed and submitted with positive results
- Salesforce has been chosen as the vendor for the project

The Board Chair expressed his appreciation to staff for all the hard work that is going into this project.

Stakeholder Feedback on CPE Rule Changes

The Deputy Director reported that after mailing a letter to all CPAs and CPA firms regarding the CPE Rule changes going into effect January 1, 2020, Board staff has received numerous emails and phone calls. CPAs have expressed concerns regarding:

- Nano learning
- Minimum annual requirement of 20.0 CPE credit hours per year
- Changing the rules mid-stream

Positive feedback was received regarding:

- CPE reciprocity

The Board Chair advised that he has been receiving similar feedback.

Enforcement Report

Taylor Shahon presented the Quarterly Enforcement Report for July 1, 2019 through September 30, 2019 and the Resolved Complaint Report for periods October 2018 to September 2019 and October 2017 to September 2018.

Taylor reported that current enforcement issues include:

- Use of title website page has been updated
- Complaint system is completely online now

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- Complaints submitted then withdrawn – the Board has the option to move forward with an investigation even if the complaint is withdrawn
- Complaints regarding self-interest threats and conflicts of interest

Public Input

The Board received public input from the individuals listed below.

Jeremy Saladino of the Washington Association of Accounting and Tax Professionals (WAATP) – Mr. Saladino thanked Board staff members, Taylor Shahon and Kirsten Donovan, for presenting at the WAATP Annual meeting in June 2019.

Ken Smith of Central Washington University (CWU) – Mr. Smith thanked the Board Members for their service to the profession. Mr. Smith expressed that there is a flaw in the system that does not provide for the Board to have jurisdiction over CPAs employed in state government. He believes that: 1) the agency should lead legislation that would authorize Board jurisdiction over state employees conducting attest services 2) the agency should request a formal opinion from the Attorney General's Office regarding the statute disallowing jurisdiction over state employees; and 3) no exceptions for CPAs performing CPA work should exist.

Lori Waight, a parent from the Kent School District – Ms. Waight stated that she believes thousands of employees and students have been harmed by a school district audit. She expressed concern that no one in state government is being held accountable for the harm done by the audit. She asked that the Board Members view her web pages related to this issue.

Scott Woelfle from the Office of the Washington State Auditor – Mr. Woelfle commented that their concerns regarding the school district audits were investigated the auditor's office disagrees with the assertion that the audits were deficient. He stated that current statute is correct since auditing government is different, as government officials are accountable to the citizens through elections and peer review. Government accountability is unique in that transparency of government audits is accessible at any point during the audit – work papers, emails, correspondence, peer review, etc. is available to the public upon request. This transparency is in place to increase public trust.

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**Executive
and/or Closed
Sessions with
Legal Counsel**

No executive or closed session with legal counsel held.

Adjournment

The meeting adjourned at 12:27 p.m.

Secretary

Chair

Vice Chair

Member

Member

Member

Member

Member

Member

NASBA Update

Washington State Board of Accountancy **January 31, 2019**

Daniel J. Dustin, CPA
VP, State Board Relations

Laurie Tish, CPA
Chair

Email: ddustin@nasba.org
Phone: (c) 615-708-3577





NASBA OVERVIEW

- **NASBA Meetings 2019-2020**

- Executive Directors/
Legal Counsel
- Western Regional
- Eastern Regional
- Annual Meeting
- Clearwater Beach, FL March 16-18,
2020
- Colorado Springs, CO June 2-4, 2020
- White Sulphur Springs, WV June 9-11,
2020
- San Diego, CA November 1-4, 2020



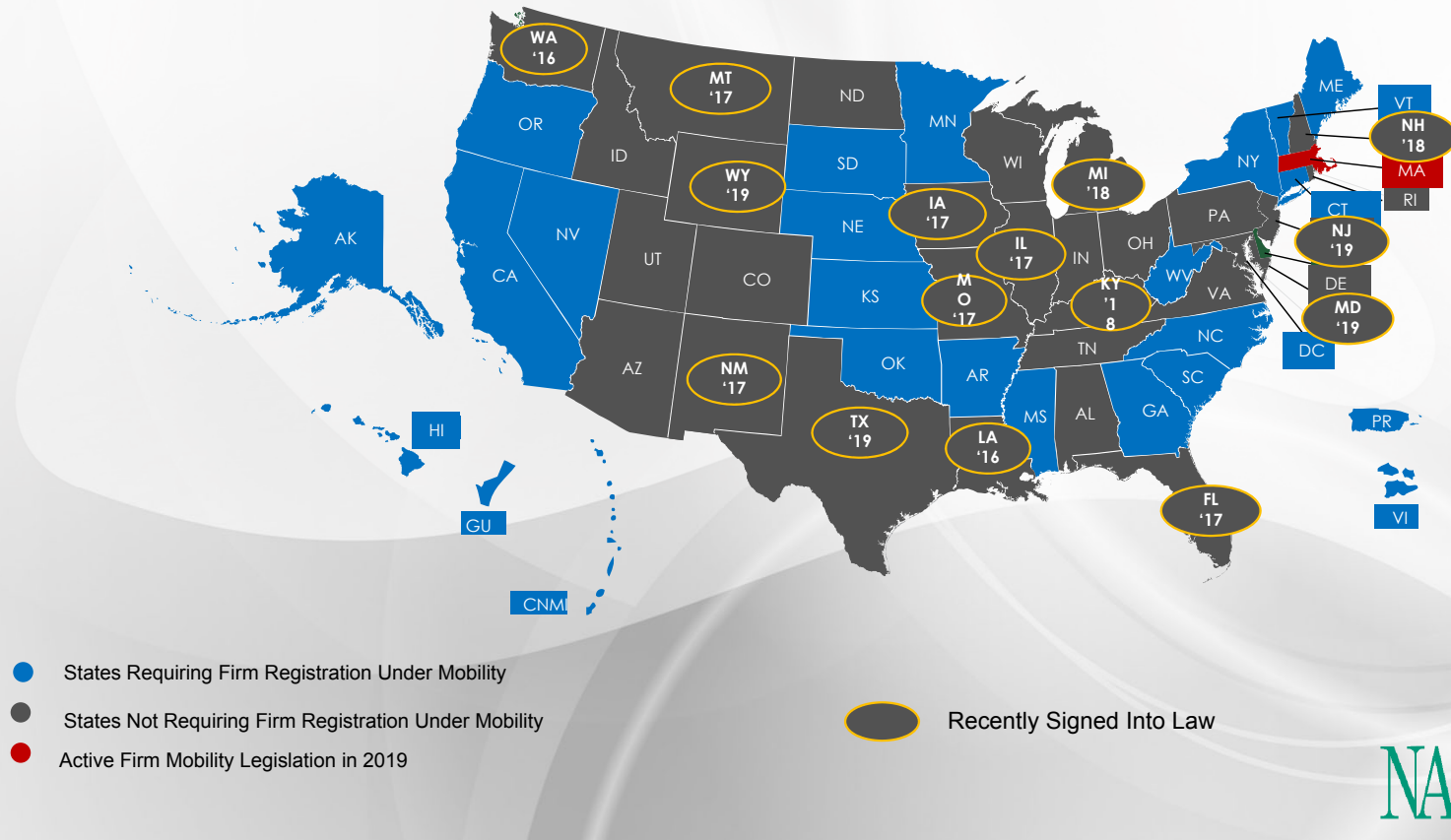
NASBA Tools & Services

- Accountancy Licensee Database (ALD)/ CPAVerify
- Accountancy Licensing Library (ALL)
- CPE Audit Tool
- Legislative Tracking
- NASBA International Evaluation Services (NIES)
- Communications
 - Newsletters
 - Renewal Reminders
 - Social Media
- Strategic Planning
- Candidate Exam Performance Books

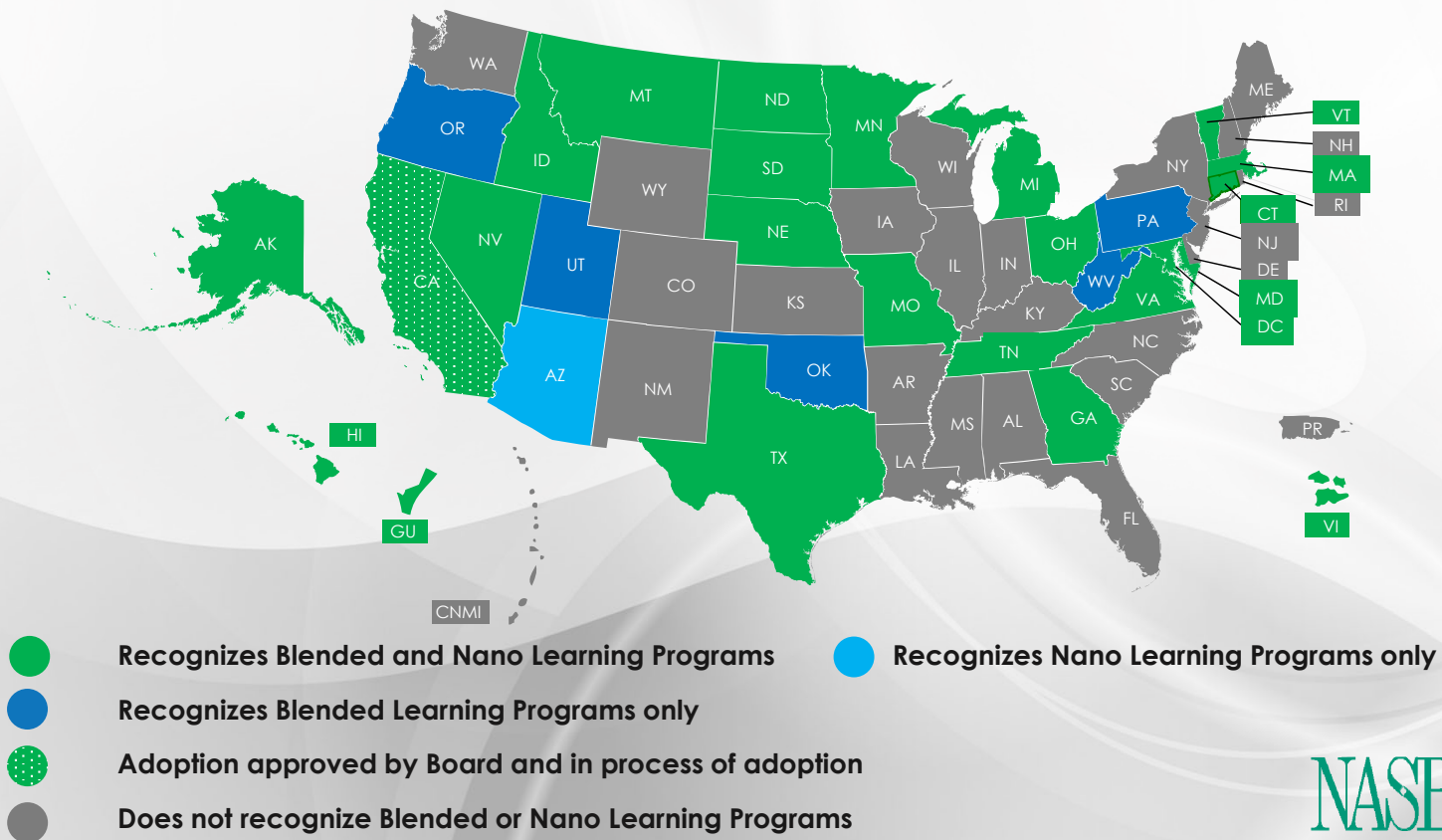
Diversity

- NASBA's Strategic Plan 2018-2021
- Increasing women and minority representation
- Engaging professional societies and associations – meeting attendance and participation
- Encourage State Board communication with State Societies

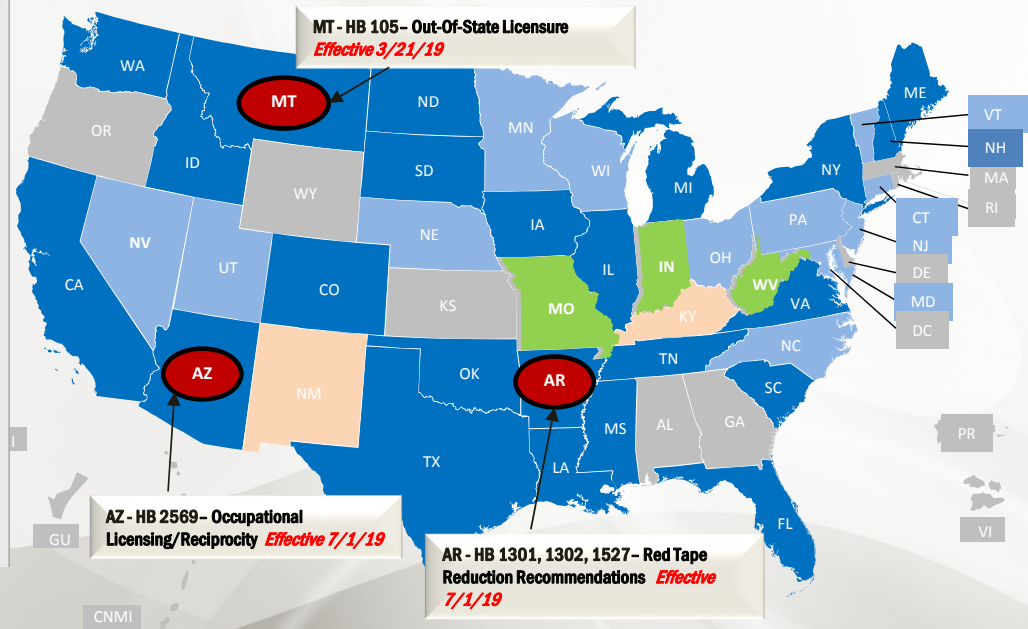
Firm Mobility



CPE – Blended and Nano Learning Programs



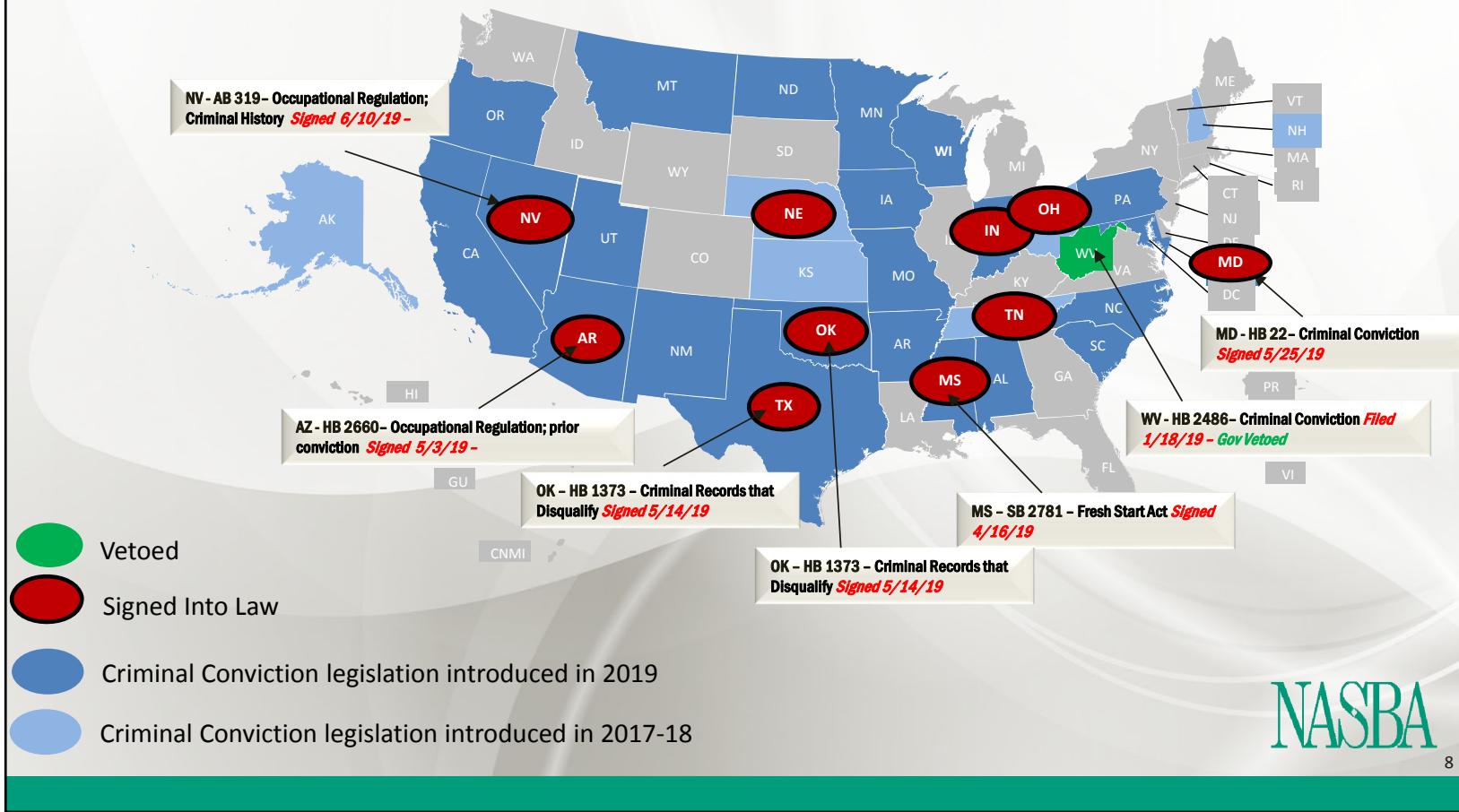
2019 Anti-Regulatory Legislation



- Signed into Law
- 2019 Anti-Regulatory Legislation
- 2017-2018 Anti-Regulatory Legislation
- Non-Licensed Disclosure Legislation filed
- Executive Order



2019 Criminal Conviction Legislation





NASBA

National Association of State Boards of Accountancy

Mission Driven - Member Focused

ARPL Alliance for Responsible Professional Licensing

PROFESSIONAL LICENSING: Rigorous for a reason

As lawmakers debate the extent of licensing needed for many jobs, the health, safety, and welfare of the public must be considered. Highly complex and technical professions rightly require rigorous and ongoing education, examination, and experience.

Introducing the Alliance for Responsible Professional Licensing!

We are very pleased to announce NASBA, and the AICPA, are two of the founding members of the Alliance for Responsible Professional Licensing (ARPL) – a coalition of national associations that represents highly complex, technical professions and their national licensing boards.

ARPL has been created to ensure that a unified voice for the advanced professions is present and heard in the growing debate around the appropriate level of licensure for

UAA Committee

The logo for the National Board of Accountancy (NASBA), consisting of the letters "NASBA" in a white, serif font on a dark green rectangular background.

- UAA Eighth Edition issued in January 2018
 - CPA retired
 - New international recognition pathway
 - Updated language (deletion of AICPA Legislative Policy and NASBA Model Code of Conduct, addition of SSARS 21 definition, CPA Examination transition)
 - Revised CPE Standards and CPE Model Rules
 - Going forward revisions will be made as UAA changes approved.
- Exam - continuous testing
- Peer review exposure draft – comments were due by June 30
- NOCLAR Task Force
- Report Signing
- Education

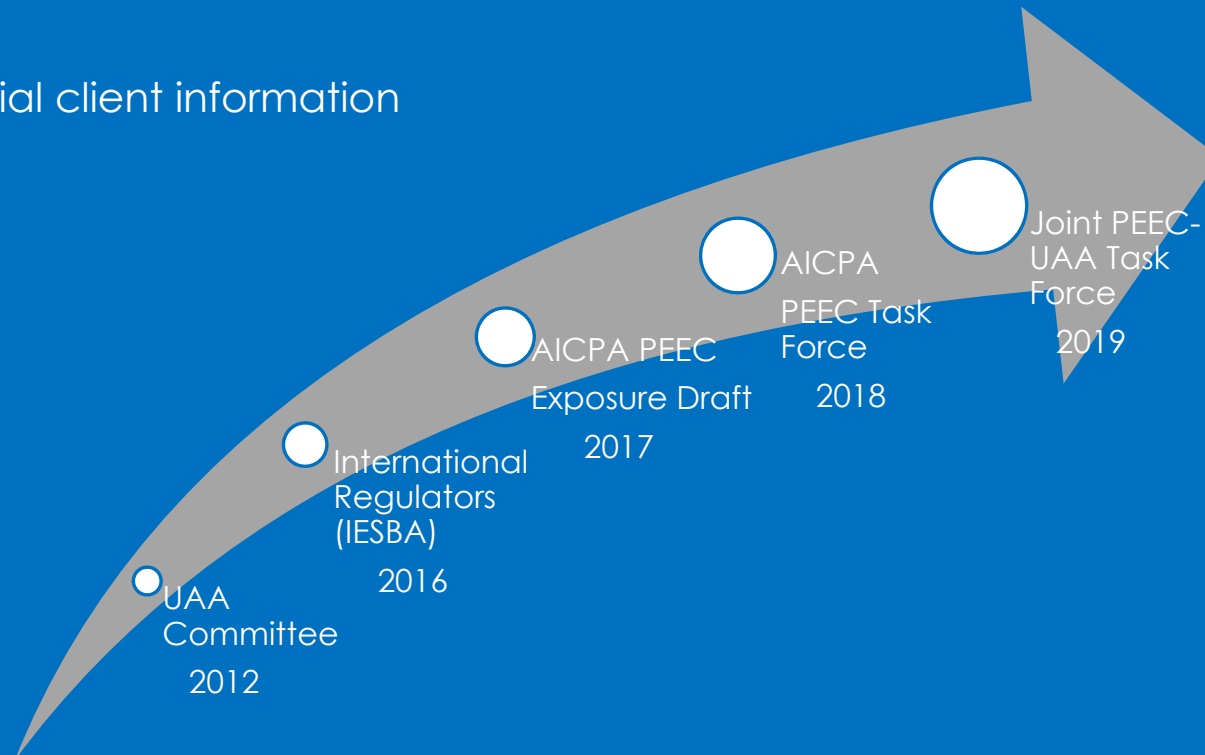
The logo for the National Board of Accountancy (NASBA), consisting of the letters "NASBA" in a green, serif font.

10



NOCLAR (Noncompliance with Laws and Regulations)

Confidential client information





Experience to Sign Reports

CPAs who supervise, sign or authorize someone to sign an accountant's report

Ongoing additional experience beyond initial licensure

Initial UAA committee discussions this summer





AICPA-NASBA Joint Projects

- Evolution of CPA
- Code of Conduct
- CPE Reciprocity



NASBA



CPA EVOLUTION



Technological innovation



New client and business demands



Changes to CPA core services

EvolutionOfCPA.org

Body of knowledge for newly licensed CPAs is growing...



Compared to 1980, today there are:

3X as many pages in the Internal Revenue Code

4X as many accounting standards

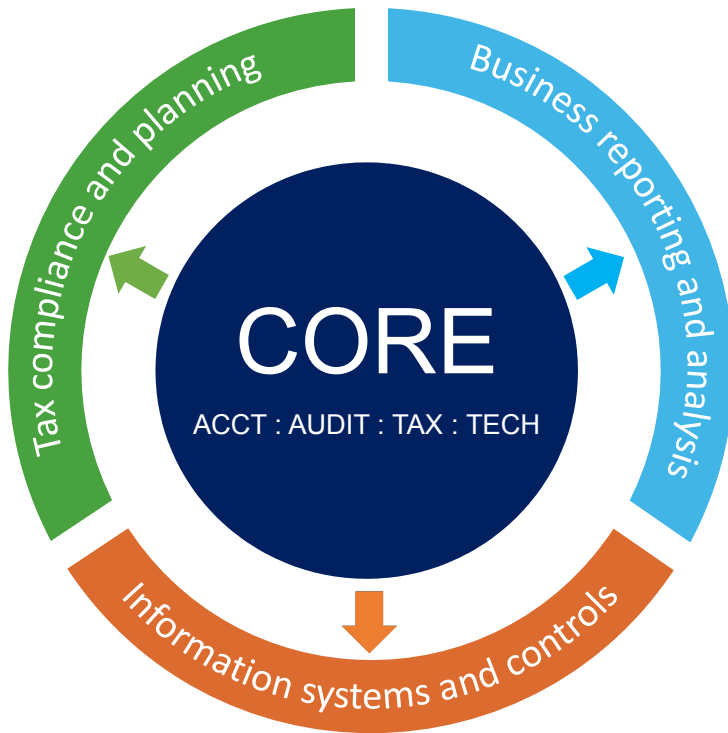
5X as many auditing standards

Body of knowledge for newly licensed CPAs is growing...



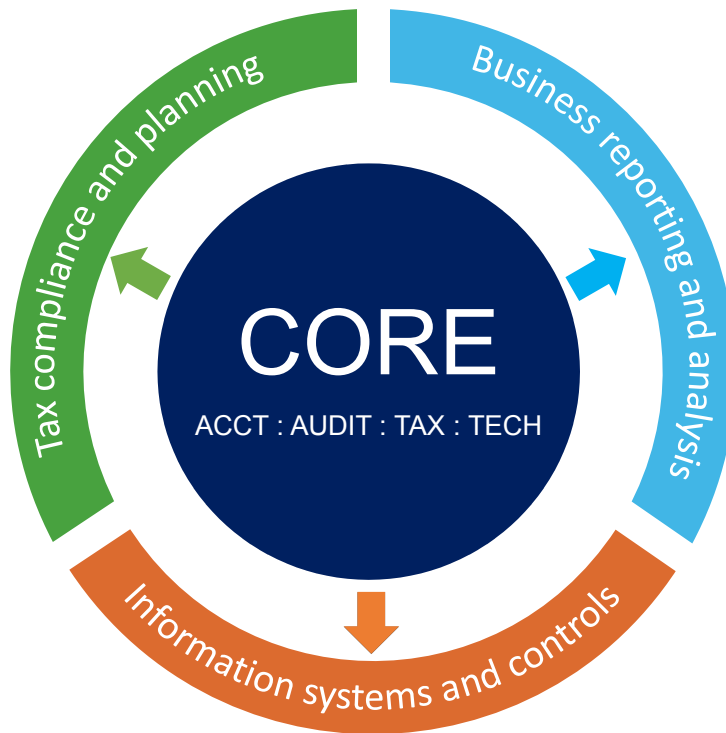
Demands of practice require deeper skillsets

- Critical thinking
- Professional judgment/skepticism
- Problem solving
- Understanding of business
 - Systems, controls, risk
- Data management and analysis
- SOC engagements



POSSIBLE
LICENSURE MODEL

= CPA



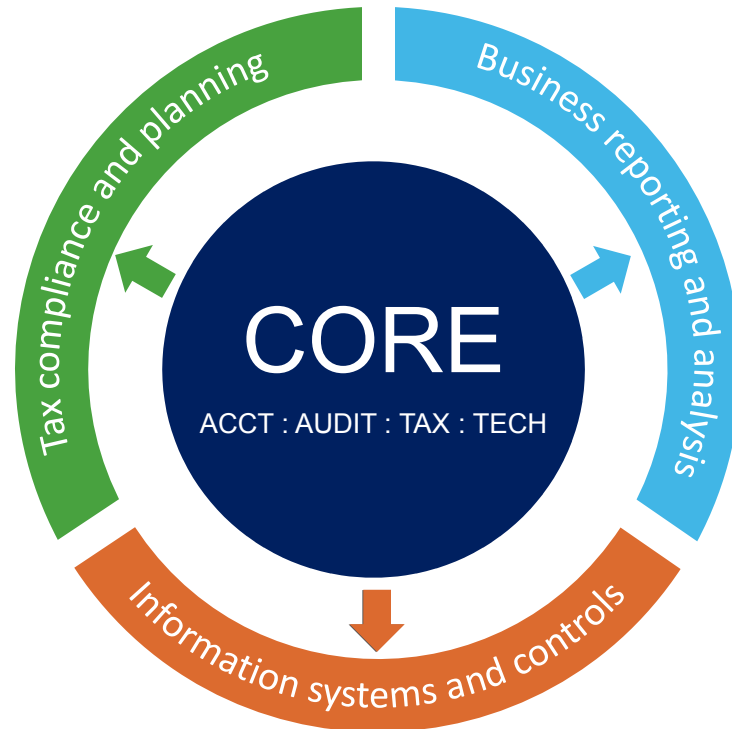
POSSIBLE LICENSURE MODEL

- Strong core with accounting, auditing, tax and technology
- Deeper knowledge in one of three primary disciplines
- Reflects reality of practice
- Adaptive and flexible
- One CPA license
- Enhances public protection

feedback@evolutionofcpa.org

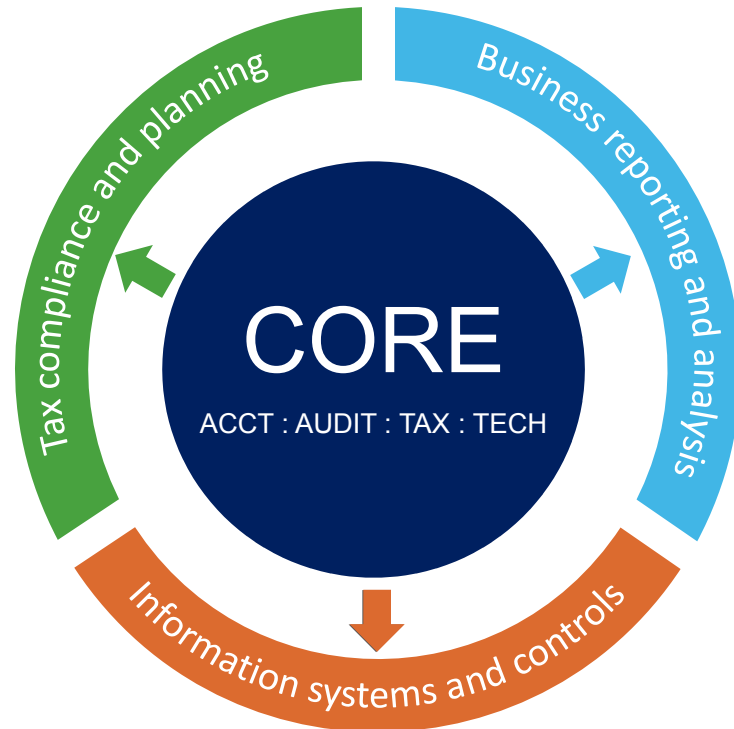
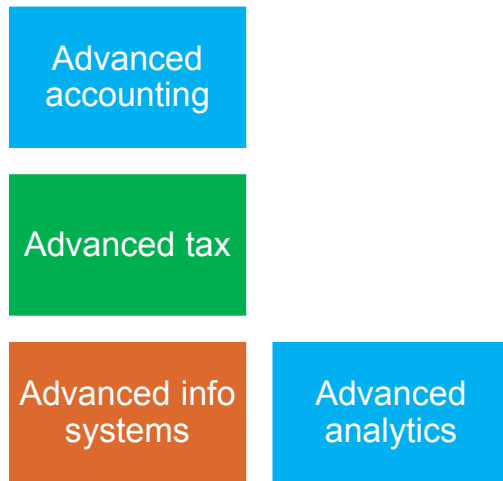
For example...*

Principles and intermediate accounting	Advanced accounting	Audit and attest
Tax fundamentals	Advanced tax	Ethics
Fundamentals of info systems, analytics	Advanced info systems	Advanced analytics
Business law	Economics	Finance



* Content would be determined by formal practice analysis

For example...*



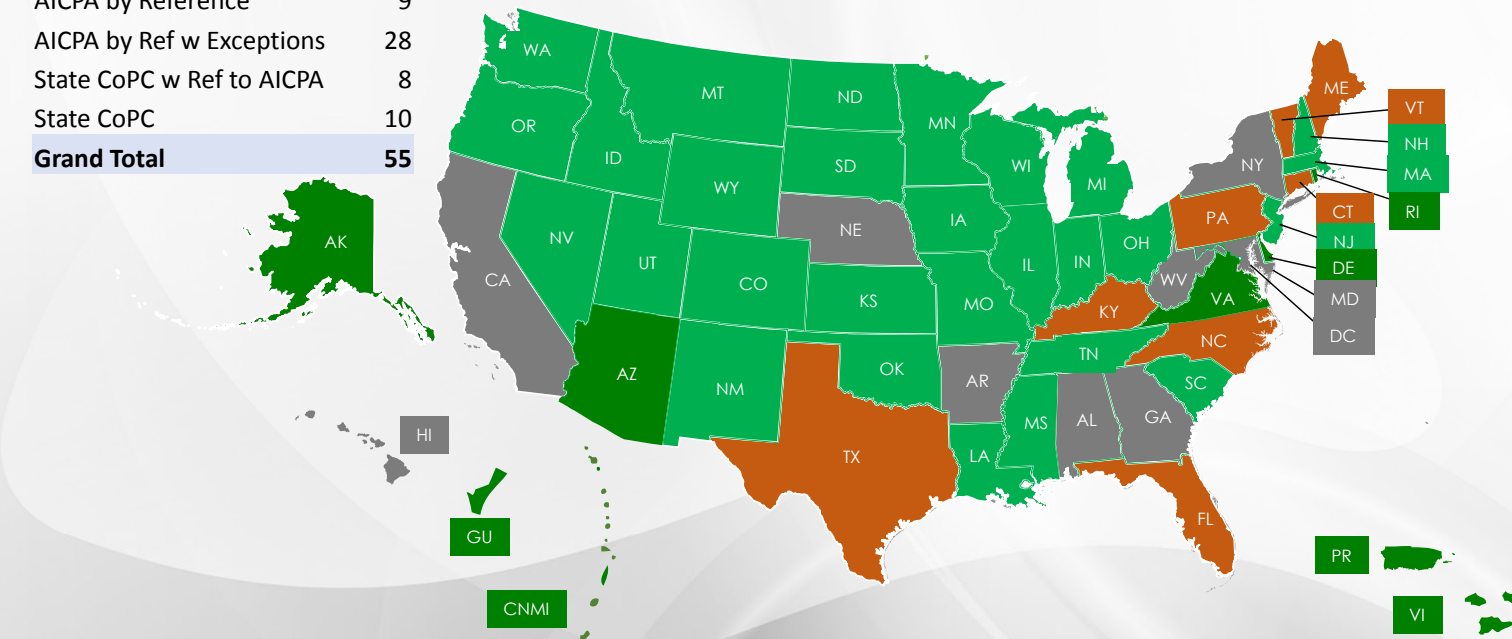
* Content would be determined by formal practice analysis



Code of Professional Conduct Adoption

NASBA Ethics Committee

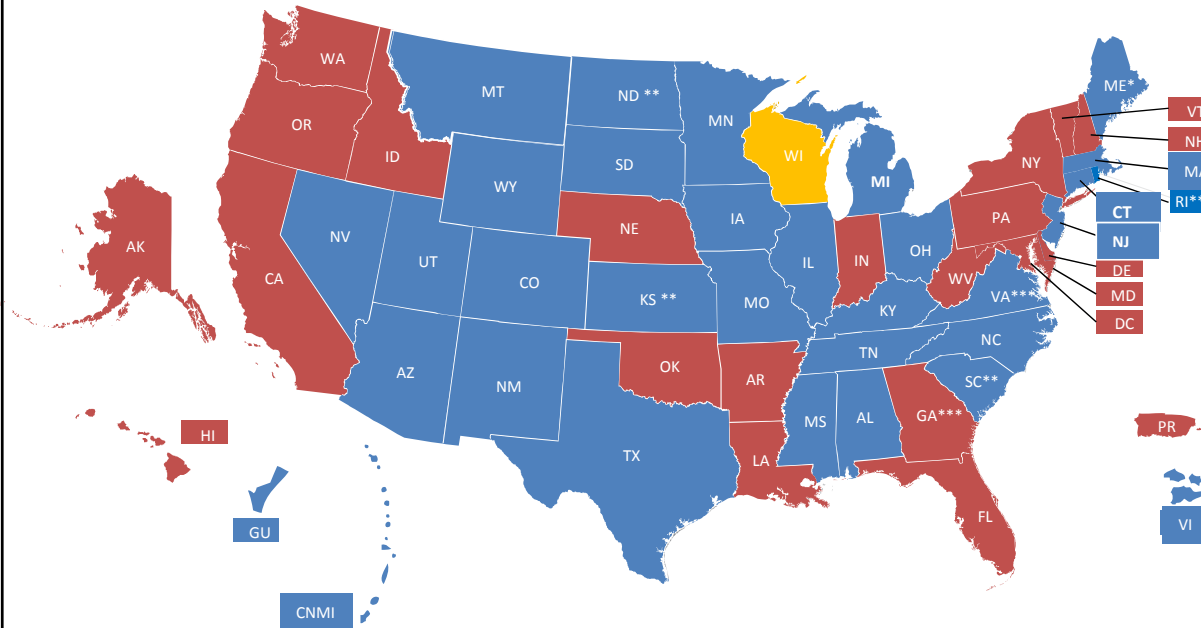
CoPC Adoption Status	Total
AICPA by Reference	9
AICPA by Ref w Exceptions	28
State CoPC w Ref to AICPA	8
State CoPC	10
Grand Total	55



- States that have adopted the AICPA Code of Professional Conduct by Reference
- States that have adopted the AICPA Code of Professional Conduct with Exceptions
- State Code of Professional Conduct with Reference to AICPA
- State Code of Professional Conduct

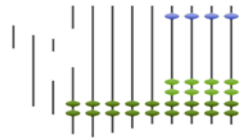


CPE Reciprocity



- States that have **Full CPE Reciprocity**
- States that have **No CPE Reciprocity**
- CPE and CPE Reciprocity Legislation signed into law 11/20/17 (Effective 12/15/21)

- * The Boards have not promulgated any rules to implement the statutory provision
- ** The Board has the authority to determine if the CPE requirements of another state are equivalent to the Board's requirements
- *** The Georgia Board is in the process of having to promulgate rules under its new statute
- **** Rhode Island and Virginia have full CPE reciprocity for states with an ethics requirement; this excludes AL, GA, ND, SD, UT and WI



Board of Accountancy
WASHINGTON STATE

Delegation of Authority

Number: DA-001

**Title: Investigations, Subpoenas, Charges, Emergency Action,
and Settlement Negotiations**

I, Mark Hugh, Chair of the Washington State Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate to the Executive Director of the Board the authority to:

- (a) Investigate alleged violations of chapter 18.04 RCW, chapter 4-30 WAC, or chapter 34.05 RCW, to include issuing subpoenas to compel the attendance of witnesses and require the production of documents, administering oaths or affirmations to witnesses appearing before the Board, taking testimony, and requiring that documentary evidence be submitted.
- (b) Sign, issue, and withdraw Statements of Charges, which seek to suspend, revoke, reprimand, discipline, or impose a fine upon a certified public accountant licensee, a CPA-inactive certificate holder, a licensed CPA firm, a CPA Examination or license applicant, a nonlicensee firm owner, or an unlicensed individual or firm using the CPA title.
- (c) Sign, issue, and withdraw Statements of Intent to Deny, which refuse to issue, reinstate, or renew a certified public accountant license, a CPA-inactive certificate, a CPA firm license, or a nonlicensee firm owner registration.
- (d) Apply to the appropriate court for an order enjoining any acts or practices which constitute, or will constitute, a violation of chapter 18.04 RCW under RCW 18.04.360.
- (e) Issue an order staying the practice rights or use of the restricted title in situations requiring agency action due to an immediate danger to the public health, safety, or welfare. The order will initiate an emergency adjudicative proceeding under RCW 34.05.479.
- (f) Negotiate settlement proposals during investigations of alleged violations of chapter 18.04 RCW or chapter 4-30 WAC. Such proposals are subject to consulting Board member concurrence prior to submission to the Board for consideration.
- (g) Issue Remedial Resolutions and execute voluntary settlements including monetary terms in accordance with the guidelines in Board Policy 2004-1.

This delegation is made under the authority of RCW 18.04.045, 18.04.295, and 18.04.305.

DATED this 31st day of January 2020.

Mark Hugh, CPA
Chair, Washington State Board of Accountancy

DELEGATION OF AUTHORITY BY THE WASHINGTON STATE BOARD OF ACCOUNTANCY

I, Mark Hugh, Chair of the Washington State Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate to the Executive Director of the Board the authority to:

- (a) Sign, issue, and withdraw Statements of Charges, which seek to suspend, revoke, reprimand, discipline, or impose a fine upon a certified public accountant licensee, a CPA-inactive certificate holder, a licensed CPA firm, a CPA Examination or license applicant, a nonlicensee firm owner, or an unlicensed individual or firm using the CPA title.
- (b) Sign, issue, and withdraw Statements of Intent to Deny, which refuse to issue, reinstate, or renew a certified public accountant license, a CPA-inactive certificate, a CPA firm license, or a nonlicensee firm owner registration.
- (c) Apply to the appropriate court for an order enjoining any acts or practices which constitute, or will constitute, a violation of chapter 18.04 RCW under RCW 18.04.360.
- (d) Issue an order staying the practice rights or use of the restricted title in situations requiring agency action due to an immediate danger to the public health, safety, or welfare. The order will initiate an emergency adjudicative proceeding under RCW 34.05.479.
- (e) Investigate alleged violations of chapter 18.04 RCW, chapter 4-30 WAC, or chapter 34.05 RCW, to include issuing subpoenas to compel the attendance of witnesses and require the production of documents, administering oaths or affirmations to witnesses appearing before the Board, taking testimony, and requiring that documentary evidence be submitted.
- (f) Negotiate settlement proposals during investigations of alleged violations of chapter 18.04 RCW or chapter 4-30 WAC. Such proposals are subject to consulting Board member concurrence prior to submission to the Board for consideration.

This delegation is made under the authority of RCW 18.04.045, 18.04.295, and 18.04.305.

DATED this 18th day of January 2019.

Mark Hugh, CPA
Chair, Washington State Board of Accountancy

DELEGATION OF AUTHORITY BY THE WASHINGTON STATE BOARD OF ACCOUNTANCY

I, Mark Hugh, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate to the Executive Director the authority to:

Issue Remedial Resolutions and execute voluntary settlements including monetary terms in accordance with the guidelines in Board Policy 2004-1.

This delegation is made under the authority of RCW 18.04.045, RCW 18.04.305, and RCW 18.04.295.

DATED this 18th day of January 2019.

Mark Hugh, CPA
Chair, Washington State Board of Accountancy

Effective: April 28, 2006

Revised: Delegation Revised: January 18, 2019 by Board vote

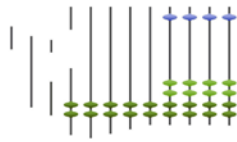
Delegation Revised: January 26, 2018 by Board vote

Delegation Revised and Appendix Removed: February 12, 2016 by Board vote

Delegation and Appendix A Revised: April 23, 2013, by Board vote

Delegation and Appendix A Revised: January 26, 2012, by Board vote

Appendix A Revised: July 14, 2011, by Board vote



Board of Accountancy
WASHINGTON STATE

Delegation of Authority

Number: DA-002

Title: Request Oversight and Appeal of Denials

I, Mark Hugh, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate the following authority:

1. Request Oversight Committee - To the Executive Director with concurrence of one member of the Request Oversight Committee to approve or deny:
 - a) **Firm Names** for compliance with the requirements of RCW 18.04.345 and chapter 4-30 WAC to ensure the Board that the firm name is not deceptive or misleading.
 - b) **Professional/Education Organizations Recognition Requests** for purposes of obtaining lists of individual CPA licensees, CPA-Inactive certificateholders, or nonlicensee firm owners under RCW 42.56.070(8) and chapter 4-30 WAC.
 - c) **Late Fee Waiver Requests** where individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment is a factor under chapter 4-30 WAC.
 - d) **Domestic or foreign education credential evaluation services** applications for approval under chapter 4-30 WAC.

2. Appeal of Denials of Requests for Lists of Individuals – To one member of the Request Oversight Committee not involved in the original review of the request under delegation 2(c) of this delegation, to review and uphold or overturn denials of requests for lists of individuals under RCW 42.56.520. This Request Oversight Committee member shall complete the review by the end of the second business day following the denial. The Committee member’s decision is the final action the Board will take on the matter for purposes of judicial review.

The Executive Director will report all actions taken under this delegation of authority at each quarterly Board meeting to assist the Board in evaluating whether this delegation should be rescinded or modified.

This delegation is made under the authority of RCW 18.04.045 and 42.56.070(8).

DATED this 31st day of January 2020.

Mark Hugh, CPA
Chair, Washington State Board of Accountancy

DELEGATION OF AUTHORITY BY THE WASHINGTON STATE BOARD OF ACCOUNTANCY

I, Mark Hugh, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate the following authority:

1. Continuing Professional Education (CPE) Extension Requests – To the Executive Director to approve or deny CPE extension requests where individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment, results in a CPE deficiency of not more than 16 CPE credit hours under chapter 4-30 WAC.
2. Request Review Committee - To the Executive Director with concurrence of one member of the Request Review Committee to approve or deny:
 - a) **CPE Extension Requests** where individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment, results in a CPE deficiency of more than 16 CPE credit hours under chapter 4-30 WAC.
 - b) **Firm Names** for compliance with the requirements of RCW 18.04.345 and chapter 4-30 WAC to ensure the Board that the firm name is not deceptive or misleading.
 - c) **Professional/Education Organizations Recognition Requests** for purposes of obtaining lists of individual CPA licensees, CPA-Inactive certificateholders, or nonlicensee firm owners under RCW 42.56.070(8) and chapter 4-30 WAC.
 - d) **Late Fee Waiver Requests** where individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment is a factor under chapter 4-30 WAC.
 - e) **Domestic or foreign education credential evaluation services** applications for approval under chapter 4-30 WAC.
3. Appeal of Denials of Requests for Lists of Individuals – To one member of the Request Review Committee not involved in the original review of the request under delegation 2(c) of this delegation, to review and uphold or overturn denials of requests for lists of individuals under RCW 42.56.520. This Request Review Committee member shall complete the review by the end of the second business day following the denial. The Committee member’s decision is the final action the Board will take on the matter for purposes of judicial review.

This delegation shall remain in effect until rescinded or modified by a majority vote of the Washington State Board of Accountancy.

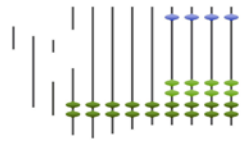
The Executive Director will report all actions taken under this delegation of authority at each quarterly Board meeting to assist the Board in evaluating whether this delegation should be rescinded or modified.

This delegation is made under the authority of RCW 18.04.045 and 42.56.070(8).

DATED this 18th day of January 2019.

Mark Hugh, CPA
Chair, Washington State Board of Accountancy

Revised: January 18, 2019 by Board vote



Delegation of Authority

Number: DA-003

Title: Quality Assurance Oversight

I, Mark Hugh, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate the following authority:

1. **Quality Assurance Oversight** - To the Executive Director, with concurrence of one member of the Board’s Peer Review Oversight Committee, to take those actions deemed appropriate under chapter 4-30 WAC for any CPA firm:
 - That has unresolved matters relating to the peer review process or that has not complied with, or acted in disregard of the peer review requirements; and
 - When issues with a peer review may warrant further action.

To implement this delegation, the Executive Director may execute Respondent Agreements, including one or any combination of the actions deemed appropriate after concurrence of one member of the Board’s Peer Review Oversight Committee. These actions may include requiring the firm/practitioner to:

- Develop and implement quality control procedures to provide reasonable assurance that similar occurrences will not occur in the future.
- Engage a Board-approved licensee to conduct a Board-prescribed on-site field review of the firm’s work product and practices to provide a more in-depth review of the practitioner’s work, previously taken continuing professional education, library and other practice support tools, knowledge, abilities, and system of quality control.
- Submit all or specified categories of its compilation, audit, review, or other attest working papers and reports to a preapproved independent practitioner review prior to issuance.
- Obtain continuing education courses in specific areas.

Uncooperative CPA firms or CPA firms requiring more than one oversight will be subject to investigation and appropriate Board action.

This delegation does not include matters that require Board action such as acceptance of voluntary practice restriction.

2. **Review of Publicly Available Professional Work** – To the Executive Director to review publicly available professional work of licensees under RCW 18.04.045(8) and chapter 4-30 WAC.

The Executive Director will report all actions taken under this delegation of authority at each quarterly Board meeting to assist the Board in evaluating whether this delegation should be rescinded or modified.

This delegation is made under the authority of RCW 18.04.045.

DATED this 31st day of January 2020.

Mark Hugh, CPA
Chair, Washington State Board of Accountancy

DELEGATION OF AUTHORITY BY THE WASHINGTON STATE BOARD OF ACCOUNTANCY

I, Mark Hugh, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate the following authority:

1. **Quality Assurance Oversight** - To the Executive Director, with concurrence of one member of the Board’s Compliance Assurance Oversight Committee, to take those actions deemed appropriate under chapter 4-30 WAC for any CPA firm:
 - That has unresolved matters relating to the peer review process or that has not complied with, or acted in disregard of the peer review requirements; and
 - When issues with a peer review may warrant further action.

To implement this delegation, the Executive Director may execute Respondent Agreements including one or any combination of the actions deemed appropriate after concurrence of one member of the Board’s Compliance Assurance Oversight Committee. These actions may include requiring the firm/practitioner to:

- Develop and implement quality control procedures to provide reasonable assurance that similar occurrences will not occur in the future.
- Engage a Board-approved licensee to conduct a Board-prescribed on-site field review of the firm’s work product and practices to provide a more in-depth review of the practitioner’s work, previously taken continuing professional education, library and other practice support tools, knowledge, abilities, and system of quality control.
- Submit all or specified categories of its compilation, audit, review, or other attest working papers and reports to a preapproved independent practitioner review prior to issuance.
- Obtain continuing education courses in specific areas.

Uncooperative CPA firms or CPA firms requiring more than one oversight will be subject to investigation and appropriate Board action.

This delegation does not include matters that require Board action such as acceptance of voluntary practice restriction.

- 2. Review of Publicly Available Professional Work** – To the Executive Director to review publicly available professional work of licensees under RCW 18.04.045(8) and chapter 4-30 WAC.

This delegation shall remain in effect until rescinded or modified by a majority vote of the Washington State Board of Accountancy.

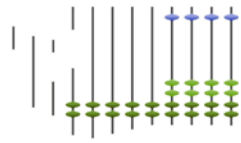
The Executive Director will report all actions taken under this delegation of authority at each quarterly Board meeting to assist the Board in evaluating whether this delegation should be rescinded or modified.

This delegation is made under the authority of RCW 18.04.045.

DATED this 18th day of January 2019.

Mark Hugh, CPA
Chair, Washington State Board of Accountancy

Revised: January 18, 2019 by Board vote



Board of Accountancy
WASHINGTON STATE

Delegation of Authority

Number: DA-004

Title: CR-101 Filing

I, Mark Hugh, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate to the Executive Director the authority to:

File CR-101s with the Office of the Code Reviser to begin the rule-making process for revisions of current rules and proposed new rules.

This delegation is made under the authority of RCW 18.04.045 and RCW 18.04.055.

DATED this 31st day of January 2020.

Mark Hugh, CPA
Chair, Washington State Board of Accountancy

**DELEGATION OF AUTHORITY
BY THE
WASHINGTON STATE BOARD OF ACCOUNTANCY**

I, Mark Hugh, Chair of the State of Washington Board of Accountancy (“Board”), acting under authorization by a Board vote, delegate to the Executive Director the authority to:

File CR-101s with the Office of the Code Reviser to begin the rule-making process for revisions of current rules and proposed new rules.

This delegation is made under the authority of RCW 18.04.045 and RCW 18.04.055.

DATED this 18th day of January 2019.

Mark Hugh, CPA
Chair, Washington State Board of Accountancy

Effective: July 28, 2017
Revised: January 18, 2019 by Board vote



Washington State Board of Accountancy

Policy Number: 2020-1

Title: Peer Review

Adopted: January 31, 2020

Approved: _____
Mark Hugh, CPA, Chair

Purpose:

The purpose of this policy is to clearly define the Board's process and procedures for interacting with licensed firms who are required under WAC 4-30-130 to undergo peer review and to report the results using the AICPA's Facilitated State Board Access (FSBA) database at the time of their firm license renewal.

In addition, this policy is intended to inform the wider CPA firm community about the Board's approach to evaluating and responding to the results of peer reviews.

Guiding Principles:

The Board intends that remediation is the fundamental goal of peer review. In the majority of instances where deficiencies are discovered through the peer review process, corrective action and follow through by the Administering Entity (AE) and/or Review Acceptance Body (RAB) should be allowed to proceed.

In certain instances the Board may impose a practice restriction or other measures through its disciplinary process when deemed appropriate.

Process for Dropped or Terminated Firms:

The AICPA notifies the state boards when an AICPA member has been dropped or terminated from the peer review program.

Board staff will access FSBA to routinely review the list of firms that have been dropped or terminated from peer review. Per WAC 4-30-130, licensed firms who have provided attest or compilation services and who have been dropped or terminated from peer review by the AICPA must notify the Board. Board staff will generate reports detailing dropped firms and follow up with firms that have not reported.

Firms that have been dropped or terminated from peer review, have not responded to a board inquiry per WAC 4-30-032, and remain out of compliance will be referred to the Board's disciplinary process.

Board Evaluation of the Results of Peer Review:

One member of the Board's Peer Review Oversight Committee and the Executive Director (ED) will review reports for which the results are pass with deficiencies (PWD) or fail. Board staff will make all files available electronically for the Board member's review.

PWD – or Sequential PWDs:

The Board member and ED will review the peer review report for any unusual facts or troubling trends. Board staff will follow up to ensure that corrective action, as recommended by the AE/RAB, is completed by the firm.

Referral for discipline is unlikely for PWD results.

Fails and/or Sequential Fails:

If there is one instance of a fail, the Board member and ED will review the peer review report for unusual facts or troubling trends, especially if the prior peer review was a PWD. Board staff will follow up to ensure that corrective action, as recommended by the AE/RAB, is completed by the firm.

If a firm has two sequential fail reports over two renewal periods, a Board member and ED will evaluate the two fail reports to determine if the same topic is at issue in both periods. If not, Board staff will follow up to ensure that corrective action, as recommended by the AE/RAB, is completed by the firm.

However, if the firm is dropped or terminated from the peer review program as a result of two sequential fails, the disciplinary process noted above will be undertaken.

If the two sequential fails have the same root cause, the Board will determine what action is appropriate under the circumstances. Options, beyond the corrective action, include but are not limited to the following:

- Required remedial training through Consent Agreement
- Practice restriction through Consent Agreement or Board Order
- Discipline including fine and/or firm license revocation through Consent Agreement or Board Order

Effective: January 31, 2020

Request Oversight Committee Report January 2020

Joel Cambern, Chair

During the fourth quarter 2019, the Executive Director and a Consulting Board Member from the Request Oversight Committee took the following action:

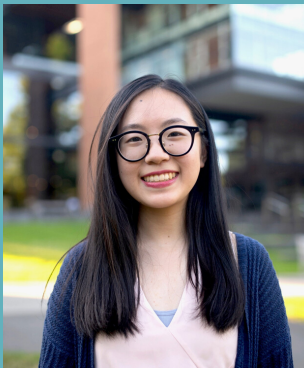
Firm Names: *Approved:*

DNM & ASSOCIATES, P.S
SQUAREUP CPA
AEGIS ACCOUNTING
INNOVATIVE ACCOUNTING AND TAX SOLUTIONS LLC
WOODINVILLE CPA
SOUTHARD BECKHAM, PLLC
RAC CPA GROUP, PLLC

Professional/Educational Organization – Recognition Requests – During the fourth quarter in 2019, the Board did not receive any requests for recognition of an educational organization for purposes of obtaining list requests.

Domestic or International Education Credential Evaluation Services – Applications – During the fourth quarter 2019, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

Report of the Washington CPA Foundation Accounting Scholarship Program



Accounting of Receipts and Disbursements
Washington State Certified Public Accounting Scholarship Program
For the Program Year Ending September 30, 2019

January 1, 2019

Beginning Fund Balance **\$ 2,724,040**

Receipts

Dividend and Interest Income \$ 42,722

Unrealized Gains/Losses \$ 341,287

Total Receipts **\$ 384,009**

Disbursements

WBOA Certified Public Accounting Scholarships

(34 - \$5,000 & 30 \$8,000 scholarships awarded) - See next page for detail \$ (410,000)

Management Fees \$ (8,244)

Total Disbursements **\$ (418,244)**

9/30/2019 (Program Year)

Ending Fund Balance **\$ 2,689,805**



Supporting the Advanced Degree

BY MONETTE ANDERSON,
LIAISON TO THE FOUNDATION

The debate over how well the accounting curriculum in the United States serves the needs of students and practitioners continues to remain focused primarily on how well students are prepared to take the CPA exam.

A report in the September 2019 issue of The CPA Journal contained research and analysis of exam performance data reported by the National Association of State Boards of Accountancy (NASBA) from 2013 to 2016. The 150-credit requirement had initially been conceived with the expectation that most students would pursue graduate degrees. Due to the rising cost of higher education, increase in student debt, and added pressure of delaying working another year, we know that many students are pursuing the 30 credits by taking additional courses concurrently

with their bachelor's degree. Research from these studies suggests this may diminish the quality of an accounting degree by increasing non-accounting related credits.

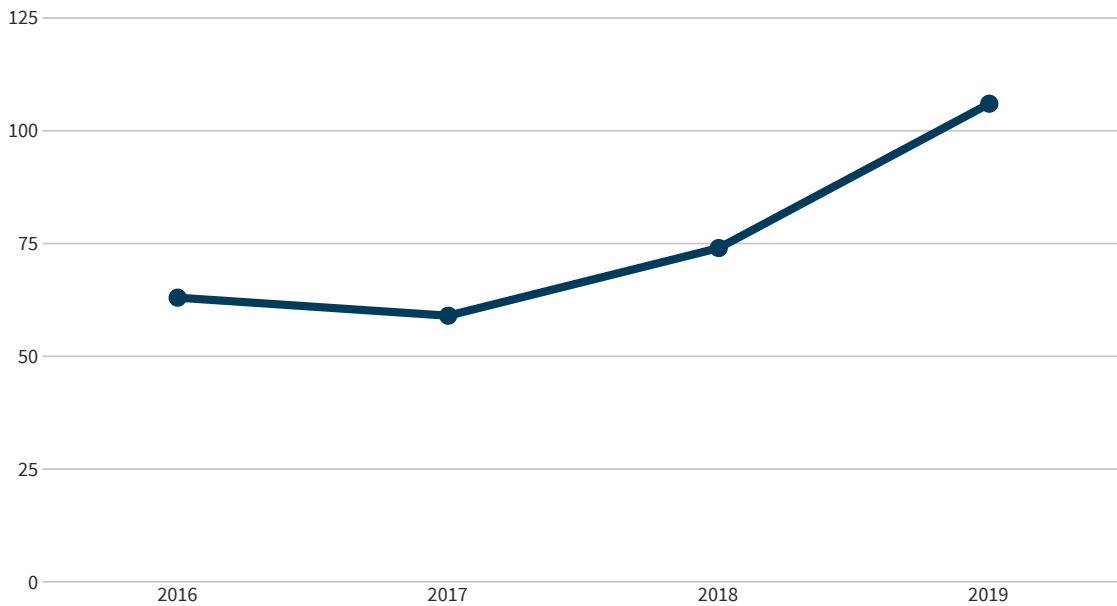
"The pass rate for graduate degree holders was significantly greater than that for bachelor's degree holders, supporting the claim that the graduate degree is important to success on the exam."*

The research shows that the pass rate for the CPA exam is about 10 percent higher for graduate vs undergraduate students with an average score increase of 4 points (74 vs 70). The Foundation believes that increasing scholarship award amounts in 2019 from \$5,000 to \$8,000 for master's students addresses this challenge and helps build a stronger pipeline of accounting students and CPA-exam candidates in Washington State. By significantly offsetting the much higher cost of an advanced degree, the Foundation hopes to encourage and support more students who choose this option.



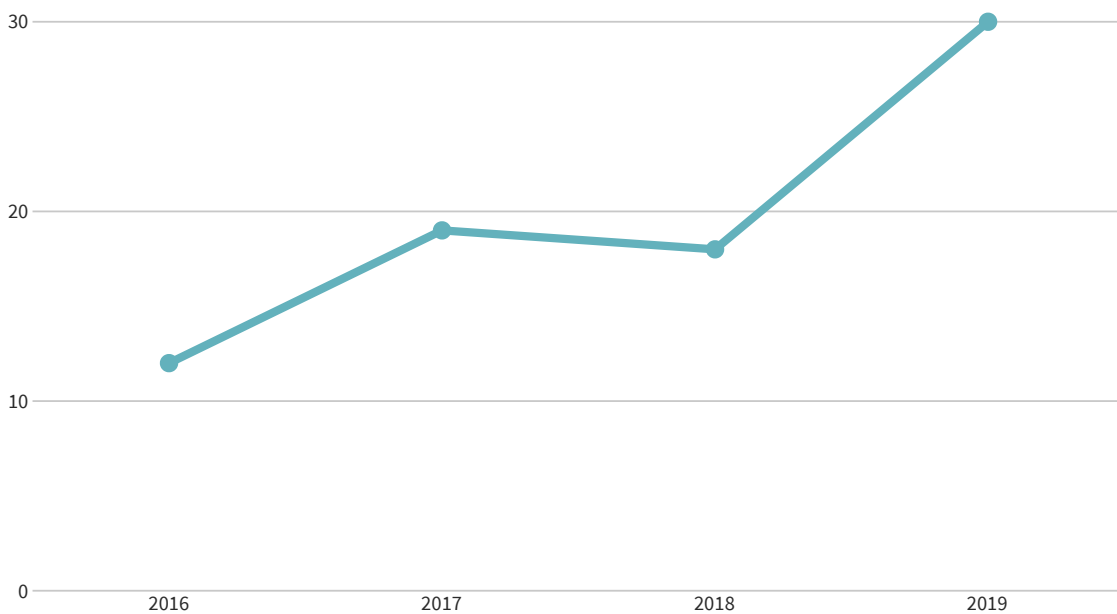
"Your generosity will help me in continuing my education at the University of Washington for the Master of Professional Accounting Program. This program will aid me in not only to meet the [CPA exam] requirement, but will allow me to have a more engaging and practical learning experience to best prepare me for entering the public accounting profession."
- Kiara Wilson

Master's degree applications per year



Note: Not all applications completed

Master's degree scholarship awardees per year



YEAR	GRADUATE PASS RATE	BACHELOR PASS RATE	GRADUATE AVG SCORE	BACHELOR AVG SCORE
2013	57.7%	49.0%	74.0	70.7
2014	58.9%	49.4%	74.1	70.7
2015	59.2%	49.3%	74.3	70.7
2016	57.6%	47.8%	73.5	69.6
Overall	58.3%	48.8%	74.0	70.4

Source: www.cpajournal.com/2019/10/02/cpa-exam-performance/
2019 CPA Exam Performance

Statistical Observations & Notes

- The authors in the study from the September 2019 issue of The CPA Journal find that CPA candidates who have completed a graduate degree outperform their undergraduate-only counterparts on the CPA exam.
- The report also demonstrates that faculty credentials are key indicators of student exam success. The funds implemented from the WBOA scholarships have allowed the Washington CPA Foundation to utilize non WBOA-dedicated funding in supporting doctoral/PhD candidates (one annually).
- Females continue to receive increasing numbers of our scholarship awards. The Foundation saw an increase of 10 percent in female awardees in 2019, and a subsequent 10 percent decrease in males. This seems consistent with accounting program enrollment statistics in our state.
- The Foundation continues to note increased diversity in scholarship awardees. There was a one percent increase from last year and we saw growth in the most underrepresented accounting majors including a six percent increase in Latinx and a two percent increase in black & African American awardees.
- Thirty-six percent of awardees were first generation college students, which was another demographic statistic we began collecting in 2019.
- The Foundation has seen a 68 percent increase in master's award applicants since 2016 and a 43 percent increase between 2018 and 2019 with the higher master's award implementation.

Set Sail on the CPA Seas

with a \$5,000 accounting scholarship!



34

Undergraduate/
5th year awards

30

Master's Awards

19

Colleges & Universities
represented vs
16 last year

75%

Female scholars,
10% increase
over 2018

36%

1st generation college
students

3.75

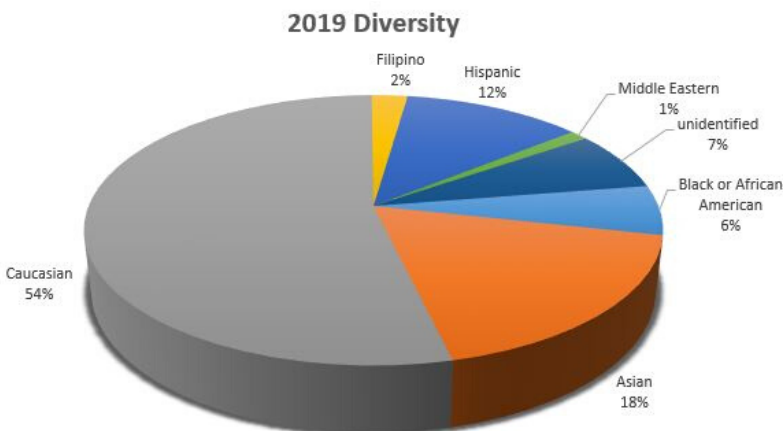
Average GPA



North Seattle College scholars Zahra Seyedahmadbana & Melika Korhani Shirazi pictured with instructor Marla Lockhart

Forty years ago the American Institute of CPAs recognized the need to support people of color in the CPA profession, yet the profession has struggled to make meaningful progress in the last 10 years. African Americans and Hispanics comprise 30 percent of the US population, and we're seeing that less than half of that percentage are enrolled in accounting programs, and continue to represent only four percent of partners in the profession.*

The Washington CPA Foundation is committed to promoting diversity in the accounting profession. In 2016, the first year of the WBOA scholarship partnership, we noted only 17 percent of applicants identified themselves as diverse (with 34 percent as Caucasian and 46 percent unidentified).



"Being an international student and growing up in Zimbabwe has not only offered financial and academic difficulties, but has helped me realize the value of pursuing college education despite the challenges." - Natalie Murumbi

(pictured below, 2nd from right)



In 2019, 39 percent of Washington CPA Foundation scholarship recipients self-identified as diverse applicants (only seven percent declined to offer this information). We believe the two largest contributors to this change have been on-campus marketing and changes in how we solicit this data from awardees.

We saw an increase in the number of campuses with scholars. This represents increased on-campus promotions from the WSCPA. Non-traditional programs saw a significant increase in applicants including Centralia College, North Seattle College and Bellevue College--colleges that also report a more diverse student body.

In 2019, the Foundation implemented a post-award intake form for candidates which provided an additional opportunity to request ethnicity from awardees. We believe students were more inclined to answer this question after receiving an award vs. identifying on the initial application. Student ethnicity and demographic responses submitted during the application process is confidential (not revealed to reviewers who score submitted applications).

*As reported by the American Institute of CPAs

WBOA Certified Public Accounting Scholarships

Scholarship Recipients	Scholarship Amount	University
Abigail Matson	\$ 5,000	Washington State University, Vancouver
ALEKYA KOTA	\$ 8,000	University of Washington, Bothell
Alena Zurcher	\$ 8,000	Gonzaga University
Amber Ackley	\$ 5,000	Central Washington University- Lynnwood
Analexis Manjares-Diaz	\$ 5,000	Washington State University -Pullman, Washington
Analuz Torres	\$ 8,000	Gonzaga University
Anna Mejia	\$ 8,000	Eastern Washington University
Annabella LaBate	\$ 8,000	Gonzaga University*
April Patterson	\$ 8,000	University of Washington Tacoma
Ayesha Horton	\$ 8,000	Eastern Washington University
Carmen Valera	\$ 5,000	Central Washington University
Cassidi Young	\$ 5,000	Western Washington University
Chante Riley	\$ 5,000	Centralia College
Dana Creswell	\$ 5,000	Seattle Pacific University
Daniel Duran	\$ 8,000	University of Washington
Danielle Hanna	\$ 8,000	University of Washington, Tacoma
Daria Sharon	\$ 5,000	University of Washington - Seattle Campus
Eric Rief	\$ 8,000	Gonzaga University
Erin Stanley	\$ 5,000	Bellevue College
Grace Verkuyl	\$ 5,000	University of Washington - Tacoma
Hailey Keeline	\$ 5,000	Washington State University- Vancouver
Haley Sandberg	\$ 8,000	Western Washington University
Hilary Mayhan	\$ 5,000	University of Washington Bothell
Hongmei Li	\$ 8,000	University of Washington Bothell
Ina LaGrandeur	\$ 5,000	Western Washington University
Isabel Beaulieu	\$ 8,000	Gonzaga University
Jasmine Larios	\$ 5,000	Western Washington University
Jeff Huynh	\$ 5,000	University of Washington Bothell
Jennifer Lo	\$ 8,000	University of Washington
Jessica Olarti	\$ 5,000	Seattle University
Joslyn Bopray	\$ 5,000	Western Washington University
Justin Barnett	\$ 8,000	Gonzaga University

Justin Steele	\$	5,000	Western Washington University
Katherine Joens	\$	8,000	Gonzaga University
Kathryn Madden	\$	5,000	University of Washington
Katie Tang	\$	8,000	University of Washington - Seattle
Kellyn Wolden	\$	5,000	Western Washington University
Kelsey Evenson	\$	8,000	University of Washington
Kiara Wilson	\$	8,000	University of Washington
Levi Collins	\$	5,000	Washington State University Vancouver
Lucy Zhao	\$	8,000	University of Washington - Seattle
Matthias Carlin	\$	5,000	Washington State University
Maureny Murillo	\$	5,000	Central Washington University
Debra McGhie	\$	8,000	Gonzaga University
Melinda Leierzapf	\$	5,000	Bellevue College
Micaela Granberg	\$	8,000	Gonzaga University
Miranda Deguzman	\$	5,000	Seattle University
Natalie Murumbi	\$	5,000	Seattle University
Nicholas Stagl	\$	5,000	Western Washington University
Princess Adrineda	\$	5,000	Seattle University**
Ryan Curtis	\$	5,000	Western Washington University
Samantha Kelley	\$	5,000	WSU University
Sarah Berry	\$	8,000	Gonzaga Univeristy
Sarah Walters	\$	8,000	Gonzaga University
Sean Bates	\$	5,000	Washington State University
Shelley Liao	\$	5,000	UW Bothell
Steven Whitman	\$	8,000	University of Washington - Seattle
Taylor White	\$	8,000	Seattle University
Theresia Song	\$	8,000	City University of Seattle
Tressa Lacy	\$	8,000	University of Washington- Tacoma
Tyler Larsen	\$	8,000	Gonzaga University
Xiangyan Wang	\$	5,000	University of Washington-Seattle Campus
Yong Tong Huang	\$	8,000	University of Washington
Zahra Seyedahmadbana	\$	5,000	North Seattle College
Total	\$	410,000	

* deferred scholarship

**masters recipient, \$3,000 paid by WA CPA Foundation

1650 - State Board of Accountancy

Allotment Expenditure/Revenue RTD Flexible

Report Number: AEF04

Biennium: 2021

As of Fiscal Month: Dec FY1

Date Run: Dec 31, 2019 12:39PM

Account: 02J

Allotment Content: Approved & Adjusted

Estimated Revenue Content: Approved & Adjusted

Transactions Through: Dec 30, 2019 8:00PM

Revenue Content: Cash, Acct(all)

(For a complete listing of all input parameter values, please see the last page of the report)

	RTD	RTD	RTD	RTD	RTD	RTD	RTD	Biennium
	Allotment	Disbursement	Accrual	Encumbrance	Variance	Remaining		

By Account/Expenditure Authority

021 - Certified Public Accountants' Acct

030 - Salaries and Expenses

Total for Agency

By Account/Expenditure Authority

By Object

A - Salaries and Wages	378,475	346,581.48	0.00	0.00	0.00	31,893.52	1,202,459.52
B - Employee Benefits	135,770	128,604.78	0.00	0.00	7,165.22	426,144.22	
C - Professional Service Contracts	57,852	7,860.98	0.00	0.00	49,991.02	223,547.02	
E - Goods and Services	290,749	268,061.37	0.00	0.00	22,687.63	904,068.63	
G - Travel	16,668	26,665.59	0.00	0.00	(9,997.59)	40,006.41	
J - Capital Outlays	7,500	0.00	0.00	0.00	7,500.00	30,000.00	
Total for Agency	887,014	777,774.20	0.00	0.00	109,239.80	2,826,225.80	

By Object

Fund

Balance As Of:	12/31/2019	Show Balances As Of:	12/31/2019
Book Balance:	2,429,684.07		Retrieve
Outstanding Warrants:	1,120.00		
Cash Balance:	2,430,804.07		

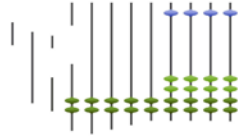
Fund Code:	02J
Fund Name:	CERTIFIED PUBLIC ACCOUNTANTS' ACCT
Fund Type:	SPECIAL REVENUE FUNDS (BA)
Treasury Type:	Treasury (1)
Budget Type:	Appropriated (A)
Roll-Up Fund:	CENTRAL ADMIN AND REGULATORY FUND (FBD)
Agency:	STATE BOARD OF ACCOUNTANCY (1650)
Statute:	18.04.105
GAAP Fund Type:	SPECIAL REVENUE FUNDS (B)
Active:	Active
DOT Fund:	No

Print

Fund

Balance As Of:	12/31/2019	Show Balances As Of:	12/31/2019
Book Balance:	200,000.00	<input type="button" value="Retrieve"/>	
Outstanding Warrants:	0.00		
Cash Balance:	200,000.00		

Fund Code:	20D
Fund Name:	CPA SCHOLARSHIP TRANSFER ACCOUNT
Fund Type:	SPECIAL REVENUE FUNDS (BA)
Treasury Type:	Treasury Trust (2)
Budget Type:	Nonappropriated/Nonallotted (N)
Roll-Up Fund:	HIGHER EDUCATION FUND (FBG)
Agency:	STATE BOARD OF ACCOUNTANCY (1650)
Statute:	28B.123.050
GAAP Fund Type:	SPECIAL REVENUE FUNDS (B)
Active:	Active
DOT Fund:	No



Board of Accountancy

WASHINGTON STATE

To: Washington State Board of Accountancy
From: Charles Satterlund, CPA, Executive Director, and Jennifer Sciba, Deputy Director
Re: CPE Reporting on Renewal Application
Date: January 9, 2020

As the new licensing system project is approaching the development stage, Board staff has been considering potential improvements to both the applications and our processes. One process improvement Board staff would like to implement is the requirement for CPE reporting on all renewal applications. Currently, only Washington State Board approved ethics course reporting is required; the CPA simply certifies that they have completed all other CPE.

CPE reporting will not be a complete audit of all renewals. CPE reporting strictly entails that the CPA enter the courses they completed within their CPE reporting period totaling 120 CPE credit hours or more either through the CPE Tracker, on the renewal application, or a combination of both. The CPA would need to report the CPE before they could move forward in the application. Staff would still complete the random audit, and the selected CPAs would need to submit their CPE documentation for the courses previously listed on their renewal application.

Requiring full reporting with renewal:

- Aligns the Board with the typical standard nationwide
- Promotes more accountability by licensees
- Produces better understanding of the CPE rules by licensees
- Improves CPE compliance with the ability to quickly view CPE totals and shortages
- Makes CPE audit processing more efficient for staff
- Provides for quicker application processing for staff

We feel strongly that 100% CPE reporting will be beneficial to the CPA, the public they serve, and Board staff.

Board of Accountancy Washington State Enforcement Report

<u>Quarterly Report (Oct 01, 2019 through Dec 31, 2019)</u>			
Complaint Workload			
	Received in Previous Period	Received in Report Period	Total
Complaints Open	15	37	52
Closed with No Action	(8)	(23)	(31)
Closed with Action Taken	0	(4)	(4)
Complaints at End of Period	7	10	17
Details of Complaint Closures			
Closed Disposition	Administrative	Public Harm	Total
No Action Taken	1	30	31
Revocation, Suspension, Restriction	0	0	0
Fines, costs, and other sanctions	0	0	0
Remedial Resolution (Policy 2004-1)	4	0	4
Total Closed	5	30	35

<u>Twelve-Month Lookback (Jan 01, 2019 through Dec 31, 2019)</u>			
Complaint Workload			
	Received in Previous Period	Received in Report Period	Total
Complaints Open	14	89	103
Closed with No Action	(5)	(56)	(61)
Closed with Action Taken	(8)	(17)	(25)
Complaints at End of Period	1	16	17
Details of Complaint Closures			
Closed Disposition	Administrative	Public Harm	Total
No Action Taken	7	54	61
Revocation, Suspension, Restriction	1	1	2
Fines, costs, and other sanctions	5	2	7
Remedial Resolution (Policy 2004-1)	15	1	16
Total Closed	28	58	86

Board of Accountancy Washington State

All complaints - resolved with and without discipline

	<u>Jan 2019 to Dec 2019</u>		<u>Jan 2018 to Dec 2018</u>	
	<i>All</i>	<i>Action Only</i>	<i>All</i>	<i>Action Only</i>
Public Harm				
Negligence - Attest related	2	0	4	1
Negligence, Disregard of standards	45	2	47	10
Use of Restricted Titles	7	1	7	2
Embezzlement, Theft, Breach of Fid. Duty	2	1	3	1
Breach of Confidentiality	0	0	1	0
Records Retention Causing Harm	2	0	5	0
<u>Subtotal</u>	58	4	67	14
Administrative				
Peer Review	1	0	1	1
CPE - Deficient 16 hours or less	10	7	4	4
CPE - Deficient 17 hours or more	6	3	6	6
CPE - Deficient eligible WA ethics	11	11	11	11
CPE - Failure to respond to CPE audit	0	0	0	0
<u>Subtotal</u>	28	21	22	22
Total	86	25	89	36

ETHICS BY ENFORCEMENT: Conflict of Interest
an ethics trainer

ACB often receives complaints that relate to conflict of interest. The potential violation(s) of these conflicts are based in the AICPA Code of Professional Conduct and Board Rule. Most of these complaints relate to non-attest services.

AICPA -- 1.110.010 Conflicts of Interest for Members in Public Practice

.01 A member may be faced with a conflict of interest when undertaking a professional service. In determining whether a professional service, relationship, or matter would result in a conflict of interest, a member should use professional judgment, taking into account whether a reasonable and informed third party who is aware of the relevant information would conclude that a conflict of interest exists.

.02 A conflict of interest creates adverse interest and self-interest threats to the member's compliance with the "Integrity and Objectivity Rule" [2.100.001].

Evaluation of a Conflict of Interest

.07 When an actual conflict of interest has been identified, the member should evaluate the significance of the threat created by the conflict of interest to determine if the threat is at an acceptable level. Members should consider both qualitative and quantitative factors when evaluating the significance of the threat, including the extent to which existing safeguards already reduce the threat to an acceptable level.

.09 If the member concludes that the threat is not at an acceptable level, the member should apply safeguards to eliminate the threat or reduce it to an acceptable level.

.12 When a conflict of interest exists, the member should disclose the nature of the conflict of interest to clients and other appropriate parties affected by the conflict and obtain their consent to perform the professional services. The member should disclose the conflict of interest and obtain consent even if the member concludes that threats are at an acceptable level.

Board Rule -- WAC 4-30-040

When offering or performing services, licensees... must... remain free of conflicts of interest unless such conflicts are specifically permitted by board rule or professional standards listed in WAC 4-30-048.

Board Rule -- WAC 4-30-142

(9) A conflict of interest such as:

(a) Self dealing as a trustee...

(b) Borrowing funds from a client unless the client is in the business of making loans...

Because the Board Rule is limited, the AICPA Code is the primary guidance for such complaints. The AICPA Code provides the guidance on evaluating and handling a conflict of interest, which are the core components in evaluating such complaints. This can be distilled into a few basic steps, for which documentation helps the Board's review significantly: 1) evaluation of a potential conflict of interest, 2) is there a conflict, 3) was the threat at an acceptable level, or reduced to an acceptable level? If a potential conflict was not properly handled, then that failure may serve as basis for disciplinary action.

ETHICS BY ENFORCEMENT: Conflict of Interest *an ethics trainer*

Encountered by Enforcement

Complaints related to conflict of interest commonly involve a CPA providing services to a divorcing or divorced couple, or to business partners in a dispute. We have reviewed instances where CPAs have successfully and unsuccessfully disclosed their potential conflicts of interest, took mitigating steps such as detailed business agreements or waivers, or simply caught between opposing parties seeking to lay blame on a CPA due to their proximity.

A CPA providing services to a divorcing/divorced couple

Complaints where a CPA is involved with a divorcing client is a complicated issue. By its nature, the clients have opposing interests – what benefits one spouse is at the detriment to another spouse. Sometimes, the CPA may be guided by a property sharing agreement (PSA) that governs the distribution of assets. While adherence to the PSA may shield the CPA in allegations of conflicts of interest, any deviation creates a risk. Following the steps outlined in the AICPA Code of Professional Conduct may help mitigate the CPA's exposure.

A CPA involved in business with a client

Engaging in business with a client creates a potential conflict of interest for the CPA. These kinds of ventures are ripe for potential conflicts. One clear way to mitigate the CPA's risk is to outline in the partnership agreement the potential conflict, methods of resolution, and concurrence by all involved parties.

The AICPA Code provides additional examples (excerpt)...

-
- b. Advising two clients at the same time who are competing to acquire the same company when the advice might be relevant to the parties' competitive positions*
 - c. Providing services to both a vendor and a purchaser who are clients of the firm in relation to the same transaction*
 - d. Preparing valuations of assets for two clients who are in an adversarial position with respect to the same assets*
 - e. Representing two clients at the same time regarding the same matter who are in a legal dispute with each other, such as during divorce proceedings or the dissolution of a partnership*
 - g. Advising a client to invest in a business in which, for example, the immediate family member of the member has a financial interest in the business*
 - h. Providing strategic advice to a client on its competitive position while having a joint venture or similar interest with a competitor of the client*
 - l. Providing tax or personal financial planning services for several members of a family whom the member knows to have opposing interests*
 - m. Referring a personal financial planning or tax client to an insurance broker or other service provider, which refers clients to the member under an exclusive arrangement*
 - n. A client asks the member to provide tax or personal financial planning services to its executives, and the services could result in the member recommending to the executives actions that may be adverse to the company.*
-