

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of a Meeting of the Board

Time and Place of Meeting	9:00 a.m. – 12:26 p.m. Friday, January 31, 2020 DoubleTree by Hilton Hotel Seattle Airport Cascade Room 13 18740 International Blvd Seattle, WA 98188
Attendance	<u>Board Members</u> Mark Hugh, CPA, Chair, Board Member Rajib Doogar, Vice Chair, Public Member Joel Cambern, Secretary, Public Member Thomas G. Neill, CPA, Board Member Brian R. Thomas, CPA, Board Member Jacqueline Meucci, CPA, Board Member Kate Dixon, Public Member Carol A. Morgan, CPA, Board Member Thomas P. Sawatzki, CPA, Board Member <u>Staff and Advisors</u> Charles E. Satterlund, CPA, Executive Director Bruce Turcott, Assistant Attorney General, Board Advisor Jennifer Sciba, Deputy Director Taylor Shahon, CPA, Lead Investigator Kirsten Donovan, Board Clerk
Public Rule-Making Hearing	<p>The Board held a public rule-making hearing from 9:01 a.m. to 9:05 a.m. The Board Chair presided. The Board proposed to amend:</p> <ul style="list-style-type: none">• 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? <p>The proposed 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.</p> <p>The Board Chair presented a brief statement on the rule.</p> <p>The Board did not receive any written comments regarding the proposed rule changes.</p> <p>No public input was received during the hearing.</p>

Call to Order Board Chair, Mark Hugh, called the regular meeting of the Board to order at 9:05 a.m.

Rules Review Board Deliberation on 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?

The Board voted unanimously to adopt the rule as proposed.

The Board voted for an implementation date 31 days after filing.

Semi-Annual Rules Development Agenda

The Board Chair presented the Semi-Annual Rules Development Agenda that was filed with the Office of the Code Reviser for January through June 2020.

Discussion on Potential Revision to Rule

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

The Board Chair led the discussion on removing the initial license requirement to “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” per WAC 4-30-080(1)(f).

The Board directed staff to file the CR-101 to begin the rule-making process and add the rule as an agenda item to the next Board meeting. Board staff will draft the rule revisions and present at the next Board meeting.

The Board Chair and the Deputy Director will work with NASBA to develop a video covering specific sections of the Board Rules that were previously included in the initial course and test materials. Applicants will attest on the application that they have watched the video.

**Minutes –
October 18,
2019, Annual
Board Meeting**

The Board approved the minutes of the October 18, 2019, Annual Board meeting with one minor edit.

NASBA Update

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

- NASBA 2020 Meeting Schedule
- NASBA Tools and Services
- Diversity
- Firm Mobility
- CPE – Blended and Nano Learning Programs
- 2019 Anti-Regulation and Criminal Conviction Legislation
- Alliance for Responsible Professional Licensing (ARPL)
- Uniform Accountancy Act (UAA) Committee
- Non-compliance with Laws and Regulations (NOCLAR)
- Experience to Sign Reports
- AICPA-NASBA Joint Projects
- CPA Evolution
- Code of Professional Conduct Adoption
- CPE Reciprocity

**Delegations of
Authority**

Board staff reviewed and proposed revisions to all delegations. The revisions included: (1) Reformatting all delegations to include a name and delegation number for ease of use and consistency; (2) Combining two delegations into one delegation; (3) Removing committee approval of CPE extension requests, as it is no longer required by Board rule; and (4) Renaming the Compliance Assurance Oversight Committee to the Peer Review Oversight Committee per the changes in WAC 4-30-130.

The Board unanimously approved the following delegations for 2020.

- DA-001 Investigations, Subpoenas, Charges, Emergency Action, and Settlement Negotiations
- DA-002 Request Oversight and Appeal of Denials
- DA-003 Quality Assurance Oversight
- DA-004 CR-101 Filing

Chair's Report NASBA Annual Meeting Thank You

The Board Chair thanked those who attended the NASBA Annual Meeting. The Board was well represented at the meeting with 6 Board Members and 2 staff members attending.

Adjustments to Board Committee Assignments

The Board Chair reported that after committee members were selected at the October Board meeting the following adjustments were made.

- Brian Thomas replaced Jacqueline Meucci as the Scholarship Oversight Committee Chair. Jackie remained on the committee as a member.
- Tom Sawatzki replaced Carol Morgan as a member on the Title Reform Task Force.

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

The Board Chair reported that enforcement cases will now be reviewed by a CBM prior to dismissal. Previously all dismissed cases were reviewed quarterly by a Board Member at the Board office. The new electronic format allows for off-site review which makes a more timely review possible.

Ethics Training at Board Meeting as Part of the Enforcement Report

The Board Chair reported that the Enforcement Report will now include quarterly ethics training at each Board meeting.

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

The Board Chair reported the following regarding this section of the Public Accountancy Act:

- The Board does not have jurisdiction over CPAs in the performance of their duties as public officials or public employees
- This provision is consistent with the Uniform Accountancy Act (UAA)

- The Board does not intend to seek agency led legislation to change this section, as was suggested by a member of the public after his complaint was dismissed

Encouraging Licensee Participation at Board Meetings

The Board Chair led the discussion regarding providing CPE credit to CPAs who attend a Board meeting in an effort to increase public participation at Board meetings.

After discussion the Board decided against giving CPE credit for Board meeting attendance, since this would put the Board in the position of becoming a CPE provider.

Proposed New Board Policy – 2020-1 Peer Review

The Executive Director presented a revised 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 voted unanimously to adopt the policy with one minor revision.

Legal Counsel's Report

Bruce Turcott, the Board's legal counsel, reported that the legislature is in session, which is a short session this year.

The Executive Director discussed current legislation, Senate Bill (SB) 6465. The bill intends to remove barriers to licensure in Washington State for CPAs holding a valid license in another U.S. jurisdiction. Current statute does allow for licensure through reciprocity. The bill simplifies the current statute by eliminating the education and experience method and the 3-5 or 5-10 method of reciprocal licensing.

The Executive Director spoke to the committee requesting removal of the provision requiring a CPA to hold a license in the other jurisdiction for a minimum of one year, as that is more restrictive than our current requirement.

The bill is still in committee and may not move forward this session.

Executive Committee

The Chair reported that the meeting agenda was discussed during the committee teleconference.

**Peer Review
Oversight
Committee**

Jacqueline Meucci had nothing to report.

The Board Chair mentioned that Julie Phipps and Hayden Williams of the WSCPA Peer Review Program have requested to receive copies of the Peer Review Oversight Committee reports.

The committee will discuss this and whether the reports should also be included in the Board packet.

**Request
Oversight
Committee**

Joel Cambern reported:

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 4th 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 4th quarter 2019, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

**Scholarship
Oversight
Committee**

Brian Thomas presented the 2019 Report of the Washington CPA Foundation Accounting Scholarship Program and the WBOA Certified Public Accounting Scholarships listing. He reported on program disbursements and his involvement in scholarship application review, indicating that it is a rewarding experience.

Kimberly Scott, WSCPA President and CEO, reported that application review is a 3-step process. She also commented that this year saw more diversity in scholarship winners.

Rajib Doogar suggested that the report include diversity in the reviewers, as well.

**Title Reform
Task Force**

The Executive Director reported that he intends to have a draft of the RCW revisions ready for legal review in February.

**Executive
Director's
Report**

Budget Status

The Executive Director presented the Allotment Expenditure/Revenue BTD Flexible Report, the Certified Public Accountants' Account Fund Balance, and the CPA Scholarship Transfer Account Fund Balance for transactions through December 31, 2019.

The Executive Director reported that the Board received a \$330,000 bill from WATech for IT support. This bill was much larger than expected, and he is currently working on getting the bill reduced.

Licensing Modernization Project Update

Jennifer Sciba reported that the project is currently in Phase 2, Planning and Procurement. Salesforce was the selected platform. The vendor, Eight Cloud, was at the Board office, and staff provided demonstrations of the current application processes.

Project details are available online through the Washington Office of the Chief Information Officer (OCIO) through the New IT Project Dashboard.

The next stage of the project is the design phase.

CPE Reporting on Renewal Application

Jennifer Sciba reported that the Board is developing a more robust CPE Tracker with the new licensing system. The Board intends to require 100% CPE reporting with renewal applications. Currently, CPE audit failure rates are about 10%. One goal of full reporting is improved CPE compliance with fewer audit failures.

**Enforcement
Report**

Enforcement Reports:

Taylor Shahon, CPA, Lead Investigator, presented:

- Quarterly Enforcement Report for October 1, 2019 through December 31, 2019
- Resolved Complaint Report for periods January 2019 through December 2019 and January 2018 through December 2018

Taylor reported on the following enforcement activities:

- Current caseload is mainly CPE audit failures and tax return issues
- Process change to speed up case handling time
 - Statement of Charges and the proposed Consent Agreement are sent simultaneously
 - Board Hearing scheduling is expected to increase

Ethics by Enforcement: Conflict of Interest

Taylor discussed the types of complaints that the Board receives related to conflicts of interest, including:

- Providing services to a divorcing couple (The Oregon Board recently adopted the requirement to obtain a waiver from the parties when a divorce is impending)
- Engaging in a business with a client

Public Input

The Board received the following public input.

Ken Smith of Central Washington University (CWU) – Mr. Smith expressed his concern with the audit of a school district done by the State Auditor’s Office. He stated if the Board has no jurisdiction over CPAs employed in state government operating in their professional duties citizens have no clear path to relief when issues arise.

Mr. Smith requests that: 1) the agency lead legislation that would add exceptions removing the government employee exemption for CPAs whose duties include attest, the practice of public accounting, and reports; 2) the Attorney General’s Office publish a formal opinion regarding the statute disallowing jurisdiction over state employees.

Mr. Smith suggested that by not taking action the Board is doing public harm at the cost of millions of dollars, which is counter to its mission. He asked that the Board Members wrestle with this in public.

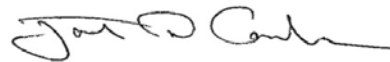
He went on further to state that he appreciates the professionalism shown to him by the Board Chair, the Executive Director, and the Attorney General’s Office.

Scott Woelfle from the Office of the Washington State Auditor – Mr. Woelfle thanked the Board for their time.

Minutes, January 31, 2020, Board Meeting

Executive and/or Closed Session with Legal Counsel An executive session was held from 12:20 p.m. – 12:25 p.m. regarding litigation or potential litigation under RCW 42.30.110(1)(i).

Adjournment The Board meeting adjourned at 12:26 p.m.



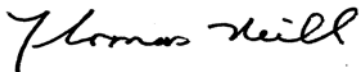
Secretary



Chair



Vice-Chair



Member



Member



Member



Member



Member



Member