

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of an Annual Meeting of the Board

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 Tyee Dr SW Tumwater, WA 98512
Attendance	<u>Board Members</u> 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 <u>Staff and Advisors</u> 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	<p>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:</p> <ul style="list-style-type: none">• WAC 4-30-130 What are the quality assurance review (QAR) requirements for licensed CPA firms? <p>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.</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 annual meeting of the Board to order at 9:07 a.m.

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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 some 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

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- 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