

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of a Meeting of the Board

Time and Place of Meeting	9:01 a.m. – 1:45 p.m. Friday, July 19, 2024 DoubleTree by Hilton Spokane City Center Suites A & B 322 North Spokane Falls Court Spokane, WA 99201 or by Microsoft Teams Meeting
Attendance	<u>Board Members</u> Kate Dixon, Public Member, Chair Thomas P. Sawatzki, CPA, Vice Chair Brooke Stegmeier, CPA, Secretary Mark Hugh, CPA Rajib Doogar, Public Member Brian R. Thomas, CPA Scott S. Newman, Public Member Tonia L. Campbell, CPA Cindy Kay, CPA <u>Staff and Advisors</u> Michael Paquette, CPA, Executive Director Jennifer Sciba, Deputy Director Leo Roinila, Assistant Attorney General, Board Advisor (Arrived at 9:16 a.m.) Elizabeth Lagerberg, Assistant Attorney General, Board Prosecutor Taylor Shahon, CPA, Lead Investigator Kirsten Donovan, Board Clerk Tia Landry, Data and Systems Administrator Kelly Wulfekuhle, Lead Solutions Analyst
Call to Order – Board Meeting	Board Chair, Kate Dixon called the meeting to order at 9:01 a.m. Board Members, staff, and advisors introduced themselves.
Minutes – April 26, 2024, Board Meeting	The Board approved the minutes of the April 26, 2024, Board meeting. The Board Members attending virtually authorized the use of their electronic signatures for the signing of the meeting minutes.
Board Policies Annual Review	The Board completed its annual review of all Board policies. <u>Safe Harbor Report Language for Use by Non-CPAs</u> The Executive Director reported on the proposed revisions which will: <ul style="list-style-type: none">• Update RCW reference numbers.

- Remove CPA-inactive certificate holder language.
- Add licensee in an inactive status guidance.
- Update dates in the report language examples.

The Board voted unanimously to revise the policy as proposed.

2004-1 Administrative Violations Guidelines

The Executive Director reported on the proposed revisions which will:

- Add a citations column which provides the RCW or WAC references for the violation committed.
- Increase some fine amounts.
- Change verbiage for clarity.

During the discussion the Board's prosecuting AAG expressed some concerns regarding the policy. The Board tabled the policy until AAG concerns can be addressed with staff. The draft policy with potential additional revisions will be brought to the next Board meeting for Board consideration.

2015-1 Board Member Travel and Attendance at Group Gatherings

The Executive Director reported no revisions are proposed.

The Board voted unanimously to retain the policy.

2017-1 Investigative and Disciplinary Processes

The Executive Director reported on the proposed revisions which will:

- Remove the Charging and Administrative Review section.
- Update or remove RCW reference numbers.
- Modify Consulting Board Member (CBM) review from all complaints to complaints within the Board's jurisdiction.
- Change verbiage for clarity.

The Board voted unanimously to revise the policy as proposed.

2017-2 Publication and Disclosure of Disciplinary Actions

The Executive Director reported on the proposed revision which will:

- Add data.wa.gov and the Board's website as disciplinary action posting locations.

The Board voted unanimously to revise the policy as proposed.

2020-1 Peer Review

The Executive Director reported on the proposed revision which will:

- Add “Pass with Deficiencies” where only PWD was present.

The Board voted unanimously to revise the policy as proposed.

2020-2 Public Officials and Public Employees

The Executive Director reported on the proposed revisions which will:

- Update RCW reference numbers.

However, the Executive Director reported the policy is no longer needed since recent RCW changes clarified the content of the policy and addressed the AGO opinion on the policy.

The Board voted unanimously to retire the policy.

NASBA Update

The Executive Director reported on the 2024 NASBA Western Regional Meeting held June 25-27, 2024, in Omaha, NE. The main topic of conversation was alternate pathways to licensure.

Rules Review

Semi-annual Rules Development Agenda

The Executive Director presented the July – December 2024 Semi-annual Rules Development Agenda filed with the Office of the Code Reviser. The agenda is informational for the public, and the noted dates of anticipated activity are estimates.

CR-101 Filings for Rules under Review

The Executive Director presented the CR-101s for the Rules under review.

Rules Review/Discussion

The Executive Director led the discussion on all proposed rule changes.

- WAC 4-30-010 Definitions.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.
- Update the “Firm” definition.

- WAC 4-30-024 Public records.

The proposed rule changes will:

- Update to gender-neutral nouns.
- Change verbiage for clarity.

- WAC 4-30-034 Responding to board inquiries.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.

- WAC 4-30-040 Integrity and objectivity.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.
- Remove pronouns which are not gender neutral.

- WAC 4-30-042 Independence.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.

- WAC 4-30-044 Contingent fees.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.

- WAC 4-30-045 Commission and referral fees.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.

- WAC 4-30-046 General standards.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.

- WAC 4-30-048 Compliance with standards.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.

- WAC 4-30-049 Accounting principles.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.
- Update to gender-neutral nouns.

- WAC 4-30-050 Confidential client information.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.

- WAC 4-30-052 Acts discreditable.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.

- WAC 4-30-053 Client records. (New rule)

The he proposed new rule is intended to:

- Make client records information more accessible to non-CPA consumers.

- WAC 4-30-054 Advertising and other forms of solicitation.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.
- WAC 4-30-056 Form of organization and name.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.
- WAC 4-30-070 What are the experience requirements in order to obtain a CPA license?

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.
- Rename the rule.
- WAC 4-30-090 Must an out-of-state individual holding a license from another state apply and obtain a Washington state license to hold out and practice in Washington state?

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.
- Rename the rule.
- WAC 4-30-112 In state and out-of-state firm licensing requirements.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.
- WAC 4-30-114 How do I apply for and maintain a firm license?

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW revisions.
- Rename the rule.
- Update subsection headings.

- WAC 4-30-130 Quality assurance review (QAR) requirements for licensed CPA firms.

The proposed rule changes will:

- Exclude compilations from Board approved peer review requirements.
- Change verbiage for clarity.

- WAC 4-30-132 Qualifying continuing professional education (CPE) activities.

The proposed rule changes will:

- Update to gender-neutral nouns.
- Update rule names contained within this rule.
- Add “professional” to AICPA code of conduct.

- WAC 4-30-142 Disciplinary actions.

The proposed rule changes will:

- Update RCW reference numbers to align the rule with HB 1920 RCW.
- Update to gender-neutral nouns.

The Board considered all rules together and voted unanimously to:

- Edit WAC 4-30-130 to remove “report” once and “reports” twice from subsection (3)(b), file the CR-102, and schedule the public rule-making hearing in conjunction with the Board’s October meeting.
- Direct staff to file the CR-102 as written for all remaining proposals and schedule a public rule-making hearing in conjunction with the Board’s October meeting.

Legal Counsel’s Report

Leo Roinila, the Board’s legal counsel, had nothing to report.

Chair’s Report

The Chair reported that the Executive Director has taken a position outside of the Board of Accountancy. She thanked him for his hard work and wished him well in his new position.

The Executive Director thanked the Board and staff for their commitment, dedication, and hard work.

The Board Chair also thanked the Deputy Director for her steadfast commitment to the Board and her willingness to step in until a new Executive Director is appointed. The Executive Director position will not be posted/appointed until after the new administration takes office in the new year.

The Board Chair reported five Board Members attended the NASBA Western Regional Meeting. She added that their input to the discussion was valuable. She encourages Board Members to attend the upcoming annual meeting.

Executive Committee

The Board Chair had nothing to report.

Peer Review Oversight Committee (PROC)

Mark Hugh reported on committee activities.

- The committee worked on drafting Board Rule, WAC 4-30-130, Quality assurance review (QAR) requirements for licensed CPA firms.
- Next up for the committee is drafting a Board Policy for compilations.
- Tom Sawatzki will attend the AICPA Peer Review Committee Conference in two weeks.

Request Oversight Committee (ROC)

Scott Newman reported on the committee's 2nd quarter activities.

Request Oversight Committee Report – July 2024:

- Firm Names Approved:

M4 CPA
Fagerland & Associates INC
SmartCloud Tax & Accounting PLLC
Gavac & Associates LLC
Dendron Studio 26, PLLC
DTBCPAS, PLLC
- Professional/Educational Organization – Recognition Requests

During the second quarter 2024, the Board did not receive any requests for recognition of an educational organization for purposes of obtaining list requests.
- Late Fee Waiver Requests

Late Fee Waiver Requests were received between 05/01/2024 and 06/30/2024.

As reported in the Board packet materials, the Board received 5 late fee waiver requests:

- Approved – 1
- Denied – 1
- Pending – 3

Scott provided an update stating that all pending late fee waiver requests were now approved.

**Scholarship
Oversight
Committee (SOC)**

Tonia Campbell reported the committee met on June 10, 2024. The current scholarship fund balance is approximately \$1.9 million with \$400,000 in scholarships given out annually. At this rate the fund would run out in approximately 5 years. Committee discussion points included:

- Increasing scholarships for underrepresented populations and identifying strategies to boost the number of scholarships available.
- Barriers to application and assessing potential obstacles that may deter individuals from applying for scholarships.
- Application criteria and reviewing the current requirements for applicants, including maintaining a 3.5 GPA and being enrolled in a Washington college.
- Requirements and process for increasing awards and evaluating the feasibility of increasing the number of scholarship awards.
- Impact of accelerated fund reduction and considering the implications of depleting scholarship funds at a quicker rate.
- Opportunities for additional budget authorization and exploring avenues to request additional budget funds from the state to support more scholarships.

The committee's next steps include:

- WSCPA leadership will present the request to the WA CPA Foundation Board and provide a recommendation for increasing scholarship awards at the next meeting.
- Board staff will review the process for obtaining additional Board budget funding if necessary to authorize more scholarships.

The committee will meet again on August 23 and an update will be presented at the October Board meeting.

**Board/AICPA
Rules Committee
(BARC)**

Brooke Stegmeier deferred to Mark Hugh to present the *Recommendations for CPA-inactive and CPA-retired Rule* report. A Board Rule is needed for limits and restrictions on use of these titles.

Mark reported and led the discussion on the following BARC recommendations:

- A CPA-inactive is allowed to hold out:
 - In industry, government, nonprofit, or education in an employer-employee relationship, or
 - Performing uncompensated work such as a volunteer, trustee, director, or executor.
- A CPA-inactive is not allowed to hold out:
 - In industry, government, nonprofit, or education as an independent contractor,
 - Perform compensated work such as a trustee, director, or executor,
 - As a sole practitioner offering to perform services for a client or potential client, or
 - As part of a CPA firm either offering to perform services for a client or potential client or working in purely an administrative role.
- A CPA-retired using the title may not hold out:
 - In industry, government, nonprofit, or education in an employer-employee relationship,
 - In industry, government, nonprofit, or education as an independent contractor,
 - Perform compensated work such as a trustee, director, or executor,
 - As a sole practitioner offering to perform services for a client or potential client, or
 - As part of a CPA firm either offering to perform services for a client or potential client or working in purely an administrative role.

The committee will draft the new rule, WAC 4-30-057, and revise the existing rule, WAC 4-30-058, and present the rule proposals at the October Board meeting for full Board consideration.

**Licensing and
Regulation
Committee
(LARC)**

Rajib noted that licensing requirements are currently a complicated puzzle with many moving pieces. He had nothing further to report at this time.

**Executive
Director's Report**

Board Member Appointments

The Executive Director welcomed Cindy Kay, CPA to the Board. Governor Inslee appointed Cindy to the Board on June 27, 2024. She brings governmental and firm experience and knowledge to the Board.

Brian Thomas, CPA was reappointed on June 10, 2024, for his third term on the Board.

Budget Status Report

The Executive Director presented the Allotment Expenditure/Revenue BTD Flexible Report, the Certified Public Accountant's Account Fund View, and the CPA Scholarship Transfer Account Fund View for transactions through June 28, 2024.

The Executive Director reported the agency is financially healthy.

Board Members asked about the variance in Goods and Services on the report. Staff will ask the agency's budget analyst for an explanation and report back to the Board at the October meeting.

2024 Renewal and CPE Extension Request Report

The Executive Director presented and led the discussion on the *2024 Renewal and CPE Extension Request Report*.

Pro-Equity Anti-Racism (PEAR) Update

The Executive Director reported:

- The Board's PEAR Advisory Team is complete with 5 public members (4 CPAs and 1 non-CPA) to go along with the Internal PEAR Team consisting of Board Members and staff.
- The May PEAR meeting focus was on students and diversity of the profession.

Regional Mobility

The Executive Director reported that a few states, including Oregon and California, will be changing their licensing requirements within the next year or so. This may create a mobility issue. Washington will need to do what is best for Washington with our licensing requirements.

The Deputy Director stated that a solution may come from uncoupling mobility and education/licensing requirements.

The Board discussed creating a task force to consider the mobility/licensing requirements issue, decided a new task force was not needed, and assigned the project to the LARC. New members may be added to the LARC for this project. The LARC will report on their discussions, including potential Board Rule revisions, at the next Board meeting.

Enforcement Report

Quarterly Enforcement and Resolved Complaint Reports

Taylor Shahon, CPA presented the following reports:

- Quarterly Report – April 1, 2024, through June 30, 2024
- Twelve-Month Lookback – July 1, 2023, through June 30, 2024
- All Complaints – Resolved with and without discipline for periods July 2023 to June 2024 and July 2022 to June 2023
- CBM Report – April 1, 2024, through June 30, 2024

Taylor reported the following on enforcement activities:

- The caseload currently stands at 26 open cases.
- The primary complaint received is CPAs not responding or not responding in a timely manner.
- The CBM process will be initiated by the Acting Director until a new Executive Director is appointed.

Public Input

The Board received no public input.

Executive and/or Closed Session with Legal Counsel

A Board held a closed session for the deliberation of a proposed Consent Order. The session times were:

- Closed session from 11:50 a.m. to 12:54 p.m.
- Public meeting reopened at 12:54 p.m. to announce additional time needed for closed session.
- After a break a closed session resumed from 1:15 p.m. to 1:45 p.m.
- Public meeting reopened at 1:45 p.m.

Board Action from Closed Session

After extensive deliberation, the Board Members requested that the enforcement team and the prosecuting AAG continue negotiations with the respondent.

Adjournment

The Board meeting adjourned at 1:45 p.m.

Member

Member

Member

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