

WASHINGTON STATE BOARD OF ACCOUNTANCY

Unapproved Draft - Minutes of a Meeting of the Board – Unapproved Draft

Time and Place of Meeting 9:00 a.m. – 2:09 p.m. Friday, October 18, 2024
Capital Event Center
6005 Tye Drive SW
Tumwater, WA 98512
or by Microsoft Teams Meeting

Attendance Board Members
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 (Arrived at 11:55 a.m.)
Tonia L. Campbell, CPA
Cindy Kay, CPA

Staff and Advisors
Jennifer Sciba, Acting Director
Lisa Petersen, Assistant Attorney General, Board Advisor
Taylor Shahon, CPA, Lead Investigator
Kirsten Donovan, Board Clerk
Tia Landry, Data and Systems Administrator

Call to Order – Board Meeting Board Chair, Kate Dixon, CPA, called the meeting to order at 9:00 a.m. Board Members, Board staff, and legal counsel introduced themselves.

All Board staff attends the Board annual meeting in October each year. Staff not directly involved in the meeting introduced themselves.

- Lori Mickelson – Chief Administration Officer
- Kelly Wulfekuhle – Lead Solutions Analyst
- Isaac Ross – Licensing Specialist
- Tim Taylor – Customer Service Specialist

The Acting Director spoke highly of the staff and thanked them for the great work they do. The Board Chair recognized staff as well.

Public Rule-Making Hearing The Board held a public rule-making hearing from 9:06 a.m. to 9:50 a.m. The Board Chair presided. The Board proposed adopting a new rule:

- WAC 4-30-053 Client record requests. (New rule)

The proposed new rule is intended to provide guidance to consumers regarding client records.

Mark Hugh provided a summary of the proposed new rule.

No written comments were received.

Public input was received during the hearing from Tom Neill, stating that he appreciates the Board adding this rule, as it is imperative for the public.

- Rules alignment for HB 1920 RCW Revisions, QAR Update, and Pronoun Update
 - WAC 4-30-010 Definitions.
 - WAC 4-30-024 Public records.
 - WAC 4-30-034 Responding to board inquiries.
 - WAC 4-30-040 Integrity and objectivity.
 - WAC 4-30-042 Independence.
 - WAC 4-30-044 Contingent fees.
 - WAC 4-30-045 Commission and referral fees.
 - WAC 4-30-046 General standards.
 - WAC 4-30-048 Compliance with standards.
 - WAC 4-30-049 Accounting principles.
 - WAC 4-30-050 Confidential client information.
 - WAC 4-30-052 Acts discreditable.
 - WAC 4-30-054 Advertising and other forms of solicitation.
 - WAC 4-30-056 Form of organization and name.
 - WAC 4-30-070 What are the experience requirements in order to obtain a CPA license?
 - 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?
 - WAC 4-30-112 In state and out-of-state firm licensing requirements.
 - WAC 4-30-114 How do I apply for and maintain a firm license?
 - WAC 4-30-130 Quality assurance review (QAR) requirements for licensed CPA firms.
 - WAC 4-30-132 Qualifying continuing professional education (CPE) activities.
 - WAC 4-30-142 Disciplinary actions.

The proposed revisions:

- Align the rules with HB 1920 RCW revisions. On March 7, 2024, Governor Inslee signed into law HB 1920, which is

effective June 6, 2024. WAC 4-30-010, 4-30-034, 4-30-040, 4-30-042, 4-30-044, 4-30-045, 4-30-046, 4-30-048, 4-30-049, 4-30-050, 4-30-052, 4-30-054, 4-30-056, 4-30-070, 4-30-090, 4-30-112, 4-30-114, 4-30-130, and 4-30-142.

- Update the quality assurance review (QAR) requirements. WAC 4-30-130.
- Update to gender neutral pronouns. WAC 4-30-024, 4-30-040, 4-30-049, 4-30-132, and 4-30-142.
- Rename the rule. WAC 4-30-070, 4-30-090, and 4-30-114.

The Acting Director provided a summary of the proposed rule changes.

Washington Peer Review Background

Mark Hugh presented the PowerPoint, *Washington Peer Review Background*, covering WAC 4-30-130, Quality assurance review (QAR) requirements for licensed CPA firms. The information was provided to assist in the discussion during the Rules Review section of the Board meeting.

Written Stakeholder Comments

The Acting Director read the written stakeholder comments received during the written public input period. All comments concerned WAC 4-30-130, Quality assurance review (QAR) requirements for licensed CPA firms. Comments were received from:

- Andrew Johnson, CPA – Supports proposed rule changes.
- Broom & Perry, CPA, PS – Supports of proposed rule changes.
- Walt Schultz, CPA – Supports proposed rule changes.
- Daniel Mortensen, CPA – Against proposed rule changes.
- Brian Bircher, CPA – Supports proposed rule changes.
- Eric Rasmussen, CPA – Against proposed rule changes.
- Robert McKinley, CPA - Against proposed rule changes.

No in-person public input was received during the rules hearing.

Call to Order – Board Meeting

The Board Chair called the annual Board meeting back to order at 9:50 a.m.

Rules Review

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

- WAC 4-30-053 Client record requests. (New rule)

The Board voted unanimously to adopt the rule as written. One Board Member was not present for the vote.

The Board voted for an effective date of 31 days after filing.

- Rules alignment for HB 1920 RCW Revisions, QAR Update, and Pronoun Update
 - WAC 4-30-010 Definitions.
 - WAC 4-30-024 Public records.
 - WAC 4-30-034 Responding to board inquiries.
 - WAC 4-30-040 Integrity and objectivity.
 - WAC 4-30-042 Independence.
 - WAC 4-30-044 Contingent fees.
 - WAC 4-30-045 Commission and referral fees.
 - WAC 4-30-046 General standards.
 - WAC 4-30-048 Compliance with standards.
 - WAC 4-30-049 Accounting principles.
 - WAC 4-30-050 Confidential client information.
 - WAC 4-30-052 Acts discreditable.
 - WAC 4-30-054 Advertising and other forms of solicitation.
 - WAC 4-30-056 Form of organization and name.
 - WAC 4-30-070 What are the experience requirements in order to obtain a CPA license?
 - 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?
 - WAC 4-30-112 In state and out-of-state firm licensing requirements.
 - WAC 4-30-114 How do I apply for and maintain a firm license?
 - WAC 4-30-130 Quality assurance review (QAR) requirements for licensed CPA firms.
 - WAC 4-30-132 Qualifying continuing professional education (CPE) activities.
 - WAC 4-30-142 Disciplinary actions.

Board Member and the Peer Review Oversight Committee (PROC) member discussion focused on WAC 4-30-130.

Tom Sawatzki's points included:

- Attendance at the AICPA Peer Review Committee Conference resulted in the following takeaways.
 - On the fence regarding making the rule change to eliminate compilations from peer review.
 - Informal poll taken at the conference with split results for and against eliminating compilations from peer review.
 - The AICPA says peer review is collaborative, but others say it is not.
- Requested PROC members to weigh in with their thoughts.

Laura Lindal's (CPA, Non-board volunteer PROC member) points included:

- Agrees with the proposed rule changes.
- Written stakeholder comments read during the rules hearing in opposition to the rule change primarily regarded financial statement preparation which already does not require peer review.
- AICPA members performing compilation services will still have to undergo peer review per their AICPA membership obligation.
- Peer review used to be about education and improving quality. The education process is no longer the model. Now the model is punitive with inconsistent enforcement.

Tom Neill's (CPA, Non-board volunteer PROC member) points included:

- Those affected by the proposed rule change will be a small pool due to AICPA membership requirements and those performing compilations are generally doing audit and attest work also.
- Board Rules have safeguards built in to ensure those only doing compilations are still performing quality work.
- Agreed with Laura that peer review seems to be punitive now.

Rajib Doogar's points included:

- Removing compilations from peer review may cause issues with quality.
- Asked the question - are AICPA peer review standards too high?
- Labor problem – not enough firms are doing peer review.
- Low cost does not ensure quality – may result in a low-quality services market.
- Uncompetitive market results.

Brooke Stegmeier's points included:

- Peer review seems to be a punishment tool.

Mark Hugh's points included:

- The AICPA Peer Review Committee Conference is tense.
- The peer review process is controlled by the AICPA.

After a lengthy discussion, the Board voted to adopt the rule as written with 7 yea votes and 1 nay vote. One Board Member was not present for the vote.

The Board voted for an effective date of 31 days after filing.

Rules Under Initial Review

- WAC 4-30-057 Restrictions on CPA-inactive and CPA-retired. (New rule)

Mark Hugh provided a summary of the proposed new rule, which is intended to provide guidance on CPA-inactive and CPA-retired allowable and prohibited activities and restricted title use.

- WAC 4-30-058 Other authorized titles.

Mark Hugh provided a summary of the proposed rule change which removes subsection (6) related to the use of the CPA-retired designation, as this information is included in the proposed changes to WAC 4-30-057.

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

Minutes – July 19, 2024, Board Meeting

The Board approved the July 19, 2024, Board meeting minutes as drafted.

The Board Members attending virtually authorized the use of their electronic signatures for the signing of the meeting minutes.

Washington State Executive Ethics Board – Board Member Training

Kate Reynolds, Executive Director, Washington State Executive Ethics Board, was scheduled to conduct Ethics in Public Service training for the Board Members. The rules section of the Board meeting ran long causing a schedule conflict for Kate. This training is being rescheduled for the January 31, 2025, Board meeting.

Budget Report

Ian Shelley, Senior Financial Consultant, Department of Enterprise Services (DES), Small Agency Financial Services (SAFS), provided an update on the Board's budget.

- The agency is in good financial condition.
- The biennium projection anticipates a \$4.16 million fund balance for June 2025.
- No fund balance sweeps are expected currently.

The Board Members and Acting Director thanked Ian for his update.

Chair's Report

Election of 2025 Officers – The Board Chair nominated the following slate of officers to serve in 2025:

- Chair – Tonia Campbell, CPA Member
- Vice Chair – Tom Sawatzki, CPA Member
- Secretary – Brooke Stegmeier, CPA Member

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

The newly elected officers will assume their duties on January 1, 2025.

2025 Board Meeting Schedule – The Board established the following schedule for the 2025 Board meetings:

- January 31, 2025 – SeaTac
- April 25, 2025 – SeaTac
- July 18, 2025 – Spokane
- October 17, 2025 – Tumwater

The meetings will be held as hybrid meetings with the option of attending in person or virtually through Microsoft Teams.

Committee Appointments for 2025

The Board made the following committee appointments for 2025:

- Peer Review Oversight Committee (PROC)
Chair:
Scott Newman, Public Member
Members:
Tom Sawatzki, CPA
Kate Dixon, Public Member
Non-Board Volunteers:
Robert Loe, CPA (will roll off in June 2025)
Laura Lindal, CPA
Tom Neill, CPA
- Request Oversight Committee (ROC)
Chair:
Brian Thomas, CPA
Members:
Cindy Kay, CPA
Tom Sawatzki, CPA
- Scholarship Oversight Committee (SOC)
Chair:
Cindy Kay, CPA
Members:
Kate Dixon, Public Member
Tom Sawatzki, CPA

- Board/AICPA Rules Committee (BARC)
Chair:
Brooke Stegmeier, CPA
Members:
Brian Thomas, CPA
Mark Hugh, CPA (will roll off in June 2025)
Scott Newman, Public Member

- Licensing and Regulation Committee (LARC)
Chair:
Kate Dixon, Public Member
Members:
Mark Hugh, CPA (will roll off in June 2025)
Brooke Stegmeier, CPA
Brian Thomas, CPA
Non-board Volunteers:
Tom Neill, CPA
Kimberly Scott, President & CEO, WSCPA
Mike Nelson, Manager of Government Affairs, WSCPA

Rajib Doogar and Mark Hugh offered to join as non-board volunteers after their Board service ends in June 2025.

NASBA Update

The Acting Director provided a report on NASBA activities:

CPA Competency-Based Experience Pathway

The Acting Director presented and led the discussion on the report, *CPA Competency-Based Experience Pathway*, jointly issued by the AICPA and NASBA on September 12, 2024. Comments are requested by December 6, 2024.

The proposed pathway offers an alternative to the current pathway for licensure. The standing pathway would still be valid.

The CPA competency-based experience pathway would require:

- Education – a bachelor’s degree with the required accounting and business administration course credit totals.
- Experience – 2 years
 - General experience totaling a minimum of 2,000 hours and 12 months.
 - Competency-based experience totaling a minimum of 2,000 hours and 12 months.
- Exam – Completion/passage of the Uniform CPA Examination.

The Board decided not to submit comments on the report to NASBA.

Uniform Accountancy Act Exposure Draft

The Acting Director presented and led the discussion on the Uniform Accountancy Act Exposure Draft published jointly by the AICPA and NASBA on September 30, 2024. Comments must be received by December 30, 2024. Discussion items included:

- Draft language may hinder mobility.
- The more complex model may cause a greater pipeline issue than that which already exists.
- Automatic mobility provisions are already addressed in some jurisdictions.
- Substantial equivalency is at risk.
- Concerns with the implementation/verification process of the competency-based pathway.
 - Bias and opinions can be present in evaluating experience.
 - Criteria can be subjective.
- Decoupling of mobility and substantial equivalency.

The Board decided not to submit comments on the exposure draft to NASBA.

Washington Mobility Presentation

Mark Hugh presented and led the discussion on the PowerPoint, *Washington mobility*. Discussion items included:

- Many Boards are unable to make changes to mobility without legislation. Our Board can make the changes through Board rules.
- Oregon and California are currently running legislation to create alternate pathways to licensure.
- Mobility is not currently open in Washington. Board rule changes would be needed to open mobility up for other Board's alternate pathways to licensure if the Board chooses to go this route.
- "Guardrails" can be written into the Board rule if we change the rule to allow for automatic mobility.

Martin Pittioni, Executive Director of the Oregon Board of Accountancy, advised that Oregon is moving forward with legislation to revise their licensing requirements despite the national conversation.

The Board voted unanimously to file the CR-101 for WAC 4-30-090, Practice privileges. The BARC will discuss proposed revisions and report at the next Board meeting.

Board Policy Review

2004-1 Administrative Violations Guidelines

The Acting Director presented the proposed draft of the policy to the Board for consideration. The proposed revisions:

- Change the name of the policy.
- Add a citations column which provides the RCW or WAC references for the violation committed.
- Increase fine amounts for some administrative violations.
- Change verbiage for clarity.
- Change the time for which all terms of the settlement must be met from 90 days to 30 days.

The Board voted unanimously to revise the policy as written.

Legal Counsel Report

Lisa Petersen, the Board's legal counsel, had nothing to report. Lisa commented that it was wonderful to spend the day with the Board.

Acting Director's Report

2024 CPE Audit Report

The Acting Director presented and led the discussion on the 2024 CPE Audit Report. CPE audit results included:

- Total individuals audited – 339
 - Completed/passed – 311
 - Applied CPE reciprocity – 16
 - Failed – CPE extension requested – 9
 - Failed – Renewal denied – 3

Jennifer advised that all CPE extensions are audited also.

The Washington State Board of Accountancy from the Inside

The Acting Director and Mark Hugh advised that they presented the program, *The Washington State Board of Accountancy from the Inside*, on August 14, 2024, to over 300 members of the WSCPA.

The program provided information on Board operations and recruited for Board Member and Executive Director positions.

Accountability Audit Report

The Acting Director reported that the State Auditor's Office is currently conducting an accountability audit on the agency for fiscal years 2021-2024. The hope is that the audit will be completed by the end of the year.

Executive Committee

The Chair reported that the committee meets monthly to discuss Board meeting information and topics. Kate thanked Tom and Brooke for their help on the committee. She thanked all the Board Members for their commitment and help during her time as the Board Chair.

Peer Review Oversight Committee (PROC)

Mark Hugh presented the *2024 Quality Assurance Review (QAR) Results* report.

The report results included:

- CPA firms with peer review results – 130
 - Pass – 111
 - Pass with deficiencies – 15
 - Fail – 4
- Peer review extension requests – 43
- Limited scope exemptions – 343

Mark thanked Robert Loe, CPA, Laura Lindal, CPA, and Tom Sawatzki, CPA, for attending the AICPA Peer Review Committee Conference and committee meetings and serving as the Board’s subject matter experts (SMEs) on peer review.

Request Oversight Committee (ROC)

Scott Newman thanked Rajib and Tonia for their help, particularly with the marketing name discussions, and serving on the ROC with him.

Scott presented the Request Oversight Committee report which included:

Approved Firm Names:

Forvis Mazars LLP
StratIQ
LBMC, PC
Blantyre Business Services, PLLC
United States X Advisors Washington CPAs P.S
SUM16
CBIZ CPAs P.C.
Brava Certified Public Accountants

Professional/Educational Organization – Recognition Requests

During the third quarter of 2024, the Board did not receive any requests for recognition from an educational organization or professional association for purposes of obtaining list requests.

**Scholarship
Oversight
Committee (SOC)**

Tonia Campbell thanked Tom and Kate for their help and serving on the SOC with her.

Tonia presented and led the discussion on the *WA State CPA Scholarship Program* report from the committee's August 23, 2024, meeting. The committee met to discuss recommendations to increase the number of scholarships awarded in support of the CPA pipeline. The Washington CPA Foundation recommends:

- Increasing the annual scholarship budget by \$50,000 to fund 10 additional \$5,000 scholarships to expand the reach and impact.
- Lowering the minimum required GPA from 3.5 to 2.5 to allow more students to qualify.
- Opening scholarships to part-time students in addition to full-time students to ensure greater accessibility.
- Implementing a questionnaire to identify applicants from underrepresented groups.

The committee discussed methods of measuring the impact of the proposed changes which could include:

- Tracking scholarship recipients' CPA Exam completion.
- Analyzing Exam success and failure factors.
- Conducting surveys to determine if past scholarship recipients are obtaining a CPA license.

Tonia Campbell presented the *Projected Fund Balance Washington State Certified Public Accounting Scholarship Program* and the *Estimated Expenses for Administering the WA Certified Public Accounting Scholarship Program* reports for year ending September 30, 2025. The report included:

- Beginning Fund Balance (as of July 1, 2024) – \$2,178,810.
- Revenues – Passive Earnings from Investments (Assumes a 3% return) – \$65,364.
- Expenditures – WBOA Certified Public Accounting Scholarships – \$475,000.
- Projected Fund Balance for the Year Ended 9/30/2025 – \$1,769,174.
- WSCPA Annual Administration Fee Reimbursed by Washington State Board of Accountancy – \$30,000.
- Annual WSCPA Estimated Expense to Administer WA CPA Scholarship Program – \$44,843.

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

Brooke Stegmeier reported that BARC quarterly activities were all discussed earlier in the meeting.

Brooke thanked Brian, Mark, and Scott for their time and service to the BARC this year.

**Licensing and
Regulation
Committee
(LARC)**

Rajib Doogar thanked the committee members, Tonia, Kate, and non-board volunteers, Tom Neill, Kimberly Scott, and Mike Nelson.

Rajib noted that currently he has nothing to report, but the LARC will be doing some heavy lifting with potential upcoming rule changes.

**Enforcement
Report**

Taylor Shahon, CPA, Lead Investigator, presented the following reports:

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

Taylor reported on the following enforcement activities:

- The case load is currently 11 complaints.
- The quarter was relatively smooth and quiet.
- The primary issue is non-response to clients and the Board.
- The team is working with AAG Lagerberg on updating processes for a smooth transition to the new Executive Director when that time comes.

The Acting Director thanked the Board Members for serving as consulting Board Members (CBMs) noting that timely responses from them and legal counsel enable staff to respond to complainants and respondents in a timely manner.

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

No executive or closed sessions were held.

Public Input

Tom Sawatzki provided a statement from Matt Medlin who had a schedule conflict and left the meeting before the public input section. Matt thanked the Acting Director and Board staff for their assistance with an issue he was having with the Hawaii Board.

Adjournment

The Board meeting adjourned at 2:09 p.m.

Member

Member

Member

Member

Member

Member

Member

Member

Member