

WASHINGTON STATE BOARD OF ACCOUNTANCY

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

Time and Place of Meeting 9:03 a.m. – 12:54 p.m. Friday, April 25, 2025
Radisson Hotel Seattle Airport
San Juan Rooms 2 & 3
18118 International Blvd
Seattle, WA 98188
or by Microsoft Teams Meeting

Attendance Board Members
Tonia L. Campbell, CPA, Chair
Thomas P. Sawatzki, CPA, Vice Chair
Brooke Stegmeier, CPA, Secretary
Rajib Doogar, Public Member
Brian R. Thomas, CPA
Kate Dixon, Public Member
Scott S. Newman, Public Member
Cindy Kay, CPA

Staff and Advisors
Jennifer Sciba, Acting Director
Jacob Dishion, 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, Tonia Campbell called the meeting to order at 9:03 a.m.
Board Members and staff introduced themselves.

Public Rule-Making Hearing The Board held a public rule-making hearing from 9:05 a.m. to 9:10 a.m. with the Board Chair presiding. The Board proposed revising one rule.

WAC 4-30-090 Practice privileges.

The proposed changes:

- Update and clarify out-of-state individuals qualifying for practice privileges in our state.

The Acting Director provided a summary of the proposed changes.

No written comments were received, and no public input was received during the hearing.

**Call to Order –
Board Meeting**

Board Chair, Tonia Campbell, CPA, called the regular Board meeting back to order at 9:10 a.m.

Rules Review

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

- **WAC 4-30-090 Practice privileges.**

The Board voted unanimously to adopt the rule as written.

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

**Minutes –
January 31, 2025,
Board Meeting**

The Board approved the January 31, 2025, Board meeting minutes as drafted.

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 the Board policies.

The Board voted unanimously to retain the following policies with no revisions:

- 2003-1 Safe Harbor Report Language for Use by Non-CPAs
- 2004-1 Administrative Violations Delegation and Process for Remedial Resolution
- 2015-1 Board Member Travel and Attendance at Group Gatherings
- 2017-1 Investigative and Disciplinary Process
- 2017-2 Publication and Disclosure of Disciplinary Actions
- 2020-1 Peer Review

The Board voted unanimously to revise the following policy:

- 2017-2 Publication and Disclosure of Disciplinary Actions

The Acting Director reported the proposed revisions will:

- Correct “Adopted” to “Revised” on the page 1 date. The change was not included when the policy was last revised.
- Eliminate the extra space between sentences to follow modern formatting conventions.

NASBA Update

43rd Annual Conference for Executive Directors and Board Staff held March 25-27, 2025, in Clearwater Beach, FL.

The Acting Director advised that the following were the main topics of conversation at the conference.

- Many states have proposed legislative changes in process for additional CPA licensing requirement models.
- A shift to individual mobility instead of state-based mobility is occurring.
 - States will look at how a CPA was licensed, since different pathways to licensure will be forthcoming.
 - Practice privilege was covered by the rule change adopted at today's meeting.
 - Licensing through substantial equivalency is separate from mobility (practice privilege). The Board will have to consider this soon.
- Private equity and alternative practice structures are becoming more common in CPA firm licensing. The importance of how these entities present themselves to the public was stressed.

Private Equity – AICPA Guest Speakers

Brooke Stegmeier introduced guest speakers, Anna Dourdourekas, AICPA Professional Ethics Executive Committee Chair; PEEC APS Task Force Co-chair; Partner, Audit and Assurance, Grant Thornton LLP; Principal, Grant Thornton Advisors LLC and Joan Farris, AICPA Manager of Professional Ethics Division. Anna and Joan presented the Alternative Practice Structures and Developing Ethics Guidance PowerPoint, which included the following:

- Alternative practice structure (APS) and characteristics.
 - An accounting firm separates its attest and non-attest practices into distinct legal entities and sells a portion of its non-attest practice to outside investors.
 - Typically, partners of the legacy firm retain an equity interest in the non-attest firm.
 - The outside investor(s) will generally have either significant influence or control over the non-attest entity.
 - The attest firm meets the requirements of the Council Resolution Concerning the Form of Organization Rule, including majority ownership by CPAs.
 - The owners of the non-attest entity may include attest firm partners, non-attest entity principals, investors, and co-investors.
 - The attest firm has its own governing body separate from the non-attest entity's governing body which is not elected by the non-attest entity's governing body.

- Decisions regarding compensation, finance and budget, resource allocation, and strategic decisions of the non-attest entity are made at the board level. Ordinary course managerial and operational decisions related to the non-attest entity decisions are made by senior leadership of the non-attest entity. The non-attest entity board has the authority to approve the budget, including compensation of attest firm partners either on a pooled or individual basis, and may delegate these responsibilities to subcommittees.
- The attest firm maintains an administrative services agreement with the non-attest entity, compensating the non-attest entity for administrative support, leased employees, equipment, office space, and other resources.
- The chief executives or equivalents of the attest firm and non-attest entity are not the same individual. The chief executive or equivalent of the attest firm reports to the attest firm board, while the chief executive or equivalent of the non-attest entity reports to the non-attest entity board.
- Potential benefits.
 - Private equity (PE) investors' interest in accounting firms may be related to stability of CPA firms; low risk return on investment; and their history of investing in professional services.
 - Accounting firms' interest in PE may be related to capital for innovation, technology, and talent retention; growth potential; resources; and succession planning in small firms.
- Areas of potential risk.
 - Public interest principle.
 - Independence.
 - Conflicts of interest.
 - Branding/advertising and confusion related to which entity performs a service.
 - CPA designation and reputation.
 - Quality management and peer review.
 - Governance, ownership, operations, and compensation.
 - Administrative services agreement implementation.
 - PE exit strategy.
- Pre-transaction (and ongoing) consideration and risk mitigation. Prioritizing transparency, ethical practices, and robust governance, PE-backed firms can demonstrate their commitment to maintaining the highest standards of audit quality, ensuring that the public interest is always safeguarded.
 - Consultation with legal counsel, OCA/SEC/PCAOB/AICPA staff, state regulators, and others.
 - Responsibility for professional liability insurance.
 - Independence education for members and PE investors.

- Formulation and operation of a robust administrative services agreement.
 - Establishment of an independence framework and monitoring procedures.
 - Clear disclosures regarding firm licensure, etc.
 - Separation of decision-making authority, including compensation determination.
 - Implementation of an internal control committee to review perceived conflicts.
- Examples of control firms have in place.
 - Updated policies, procedures, and guidance reflecting the APS transaction with a PE investor.
 - Periodic confirmations of compliance with applicable independence requirements by the PE investor and individuals associated with the investor.
 - Monitoring and performing conflict checks on new non-attest entity lenders.
 - Sharing of relevant information between the attest firm and the PE investor(s) to monitor independence.
 - Monitoring applicable entities within the PE structure in the firm's database and inclusion of such entities in conflict checks for prospective client engagements.
 - Robust administrative service agreements that address the provision of sufficient future resources to the attest firm.
- Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in APS.
 - Changes may be necessary for evolving investment structures; network and firms' interpretation; covered member definition; and terms such as "direct" and "indirect" superiors and "other public company entities".
 - PEEC's APS Task Force is reviewing this matter, and their goal is to present a comprehensive exposure draft incorporating not only independence, but other relevant areas of the code as deemed necessary. The task force is requesting comments from interested parties with a comment deadline of June 15, 2025.
 - The task force proposes a three-step process to evaluate independence in an APS.
 - Identify network firms of the attest firm.
 - Identify covered members.
 - Identify relationships and circumstances involving additional individuals and entities that create threats to independence.
 - Apply prohibitions.
 - Apply conceptual framework for independence.

Throughout the presentation the Board Members provided comments including:

- Rajib Doogar expressed concerns about:
 - A conflict of interest with partner compensation and ways of mitigating this conflict.
 - Public protection and how APS and PE arrangements are being disclosed in financial statements.
 - Two parts to the agreement as he sees it – governance structure and operating details – he believes that the governance portion should be disclosed.
 - Believes firms need to re-think who their clients are; they are not just the people paying you, the general public is your client.
- Scott Newman expressed concerns about:
 - Uncertainty for the firm's clients' continuity of services when a PE investor typically has a 6-year relationship with the firm. What happens, particularly in a smaller firm, when the investor leaves.
 - Firms will need to choose the right PE investors.

The Board Members and Acting Director thanked Anna and Joan for presenting the information and their time. Anna and Joan thanked the Board for their feedback during the meeting. They stated they took notes and will bring the comments to the task force for review. They asked the Board to submit further comments, if any, by June 15, 2025.

NASBA Update (continued)

Uniform Accountancy Act (UAA) Exposure Draft

The Acting Director reported the exposure draft includes changes to:

- Section 5 for additional pathways to CPA licensure.
 - The hour count for college education credits has been eliminated.
 - The required education is now in terms of baccalaureate and post-baccalaureate degrees.
- Section 23 for practice privileges would move away from state-based mobility to individual mobility.

The Acting Director advised that mobility and reciprocity licensure are separate with mobility being more of a driver's license approach. A CPA holding an active license in good standing in another US jurisdiction can work in our state on a temporary basis through practice privileges without obtaining a Washington State CPA license. If the CPA's principal place of business is Washington, they must obtain a Washington State license, and if they hold a license in another US jurisdiction, they can apply through interstate reciprocity.

Legal Counsel's Report

The Acting Director thanked Lisa Petersen, AAG, for her help during the time she was the Board's legal counsel. Jennifer introduced Jacob Dishion, AAG, the Board's new legal counsel. Jacob provided his background with the Attorney General's Office. Board Members and the Acting Director welcomed Jacob.

Chair's Report

The Board Chair thanked Rajib Doogar for his service to the Board which ends June 2025. She presented him with an appreciation plaque and stated that he expanded the Board's way of thinking.

Rajib thanked everyone stating that it was an enriching experience and the Board is exemplary. He will be cheering the Board on from the sidelines.

Executive Committee

The Chair reported that the committee met and discussed the meeting agenda.

Peer Review Oversight Committee (PROC)

Scott Newman reported that the committee did not have a meeting this quarter but communicated by email. He provided the AICPA report, *Quality Management – At a Glance from the Audit & Attest Standards Team*.

Scott deferred to Tom Neill, CPA, Uniform Accountancy Act (UAA) Committee Chair for the AICPA, to report on peer review activities. Tom reported:

- Peer review was thought of as a system of quality control now it is thought of in terms of quality management.
- The goal is to drive attest firms to improve their reports.
- The expectation is that firms only performing compilations will also follow the new standards.

Request Oversight Committee (ROC)

Brian Thomas reported on the approval and denials from the committee for the 1st quarter of 2025:

Approved Firm Names:

Jain Accounting PLLC
Milner, Howard, Palmer & Edwards CPAs
Clark Accounting LLC
Sequoia CPA PLLC
Campbell Tax & Accounting LLC
TruDBooks
Dimeler & Associates PLLC
SkyRiver Advisors, PLLC

Professional/Educational Organization – Recognition Requests:

During the 1st quarter of 2025, the Board did not receive any requests for recognition as an educational organization for purposes of obtaining list requests.

**Scholarship
Oversight
Committee (SOC)**

Cindy Kay presented the Washington CPA Foundation – 2025 Pre-Intake Scholarship Winner Data report. She reported:

- 65 scholarships were awarded from Washington State Board of Accountancy funds: 30 master's degree and 35 bachelor's degree students.
- 250 students applied.
- 64% of scholarship winners were female, 35% were male, and 1 winner was unknown.
- 20 students categorized as low income as determined by Pell Grant/Zero Expected Family Contribution.
- 25 students reported as first-generation college students.
- Winners ethnicity reported; Black or African American – 3.7%; White – 40.2%; Asian American – 26.8%; Hispanic, Latino, or Spanish Origin – 13.4%; Some other race, ethnicity, or origin – 6.1%; unreported – 9.8%
- Winners were divided among 17 colleges with the University of Washington and Gonzaga University being the top recipients.

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

Brooke Stegmeier presented the memo, Discussion Topics: Private Equity Ownership and CPE Compliance, dated April 6, 2025, and led the discussion. The committee met on March 31, 2025, and discussed the topics stated. The memo is for informational purposes only with no proposals or decisions required.

Private Equity (PE) Ownership of CPA Firms

PE ownership of CPA firms through Alternative Practice Structures has become a significant trend in CPA firm ownership. The guest speakers discussed the topic at length. Brooke provided the AICPA Professional Ethics Division Discussion Memorandum, Potential revisions to the AICPA Code of Professional Conduct and guidance related to independence in alternative practice structure, dated March 10, 2025. Brooke asked the Board if they wanted to respond to the memo which has a response date of June 15, 2025. Board Members may provide comments to Brooke by email and the committee will decide if a response will be submitted.

CPE Compliance Considerations

Brooke led the conversation regarding CPE extensions and hardships. The Board may review the CPE rules for possible revisions.

Licensing and Regulation Committee (LARC)

Kate Dixon presented and led the discussion on the memo, Licensing and Regulation Committee (LARC) Update. Kate reported:

- The committee met on February 12, 2025, and agreed upon objectives.
- The committee recommends adding additional pathways to licensure. These pathways are:

Pathway 1

1. Bachelor's degree with an accounting concentration or equivalent, which includes:
 - a. Twenty-four semester hours (36 quarter hours) or the equivalent in accounting subjects of which at least 15 semester hours must be at the upper level or graduate level (an upper-level course is defined as a course that frequently carries completion of a lower-level course(s) as a prerequisite); and
 - b. Twenty-four semester hours (36 quarter hours) or the equivalent in business administration subjects at the undergraduate or graduate level.
2. Two years of experience consisting of a minimum of 24 months and 4,000 hours, which must be verified by an active CPA licensee who has held their license for a minimum of 5 years.

Pathway 2

1. Post-baccalaureate degree with an accounting concentration or equivalent, which includes:
 - a. Twenty-four semester hours (36 quarter hours) or the equivalent in accounting subjects of which at least 15 semester hours must be at the upper level or graduate level (an upper-level course is defined as a course that frequently carries completion of a lower-level course(s) as a prerequisite); and

- b. Twenty-four semester hours (36 quarter hours) or the equivalent in business administration subjects at the undergraduate or graduate level.
2. One year of experience consists of a minimum of 12 months and 2,000 hours, which must be verified by an active CPA licensee who has held their license for a minimum of 5 years.

Pathway 3 – Current pathway with a 2030 review date

1. Bachelor's degree (150 credits) with an accounting concentration or equivalent, which includes:
 - a. Twenty-four semester hours (36 quarter hours) or the equivalent in accounting subjects of which at least 15 semester hours must be at the upper level or graduate level (an upper-level course is defined as a course that frequently carries completion of a lower-level course(s) as a prerequisite); and
 - b. Twenty-four semester hours (36 quarter hours) or the equivalent in business administration subjects at the undergraduate or graduate level.
2. One year of experience consists of a minimum of 12 months and 2,000 hours, which must be verified by an active CPA licensee who has held their license for a minimum of 5 years.

The Board agreed with the committee's proposed methods of licensure and are ready to move forward with rule revisions. The committee will prepare the rule revision drafts for full Board review at the July Board meeting.

Acting Director's Report

Budget Status Report

The Acting Director presented and reported on the Allotment Expenditure/Revenue LTD Flexible Report, the Certified Public Accountant's Account Fund View, and the CPA Scholarship Transfer Account Fund View for transactions through March 31, 2025.

The Acting Director reported that two legislative proposals are in the current session.

- House Bill – Proposed one-time fund sweep of \$1.378 million.

- Senate Bill – Proposed one-time fund sweep of \$1.8 million.

Executive Director Position Update

The Acting Director reported that several applications have been received for the Executive Director position. The interview process has begun, and potentially the position will be filled before the July Board meeting.

She had no updates on the vacant CPA Board Member position or the upcoming vacancy for a Public Member Board Member position.

**Enforcement
Report**

Quarterly Enforcement and Resolved Complaint Reports

Taylor Shahon presented the following reports:

- Quarterly Report – January 1, 2025, through March 31, 2025
- Twelve-Month Lookback – April 1, 2024, through March 31, 2025
- All Complaints – Resolved with and without discipline for periods April 2024 to March 2025 and April 2023 to March 2024.
- CBM Report – January 1, 2025, through March 31, 2025

Taylor noted that a correction to the CBM report is needed. The total should be 12 not 16.

Taylor thanked the Consulting Board Members for their help during the period and reported the following on enforcement activities:

- Most prevalent complaints are failure to provide records, lack of response from CPAs, and tax filing issues.
- Typically, a small firm or sole proprietorship’s failure to respond is due to illness or hardship. Most of these are resolved without a Board Order.
- Many complaints are closed with no action, as the Board has no jurisdiction over the respondent.

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

No executive or closed sessions were held.

Public Input

The Board received public input from the following:

- Kimberly Scott, WSCPA, President & CEO, added comments throughout the meeting.

- Atarah – Requested that the Board consider extending Exam score expiration dates to December 31, 2025, for scores set to expire on June 30, 2025. This would align with a recent extension implemented by the Washington DC Board.

Adjournment The Board meeting adjourned at 12:54 p.m.

Member

Member

Member

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Member