WASHINGTON STATE BOARD OF ACCOUNTANCY

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

Time and Place of Meeting	9:00 a.m. – 10:55 p.m. Friday, April 24, 2020 Skype Conference
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 Michelle Carr, Assistant Attorney General Jennifer Sciba, Deputy Director Taylor Shahon, CPA, Lead Investigator Kirsten Donovan, Board Clerk
Call to Order	Board Chair, Mark Hugh, called the meeting of the Board to order at 9:00 a.m.
Minutes – January 31, 2020, Board Meeting	The Board approved the minutes of the January 31, 2020, Board meeting with minor edits to the public input section. The Board approved the use of their electronic signatures on file at the Board office for the signing of the meeting minutes.
Board Policies Annual Review	The Board completed its annual review of all Board policies. The Board voted unanimously to retain the following policies with no revisions: • 2002-4 International Reciprocity • 2003-1 Safe Harbor Report Language for Use by Non-CPAs • 2015-1 Board Member Travel and Attendance at Group Gatherings • 2017-2 Publication and Disclosure of Disciplinary Actions The Board voted unanimously to revise the following policies: • 2004-1 Administrative Violations Guidelines

- 2017-1 Investigative and Disciplinary Process
- 2020-1 Peer Review

Board Policy 2004-1 was revised to simplify the CPE deficiency process and to align the policy with the firm licensing RCW changes. The Administrative Violation and Remedial Resolution Terms chart was updated to reflect these changes.

The Executive Director and Deputy Director advised the Board on the new process for CPE deficiencies found during the CPE audit. The process entails denying the renewal application as incomplete and lapsing the license rather than issuing a Board Order with penalties for lack of CPE. The new process was implemented per the direction of AAG legal counsel and aligns with WAC 4-30-028 for Board staff denials of incomplete applications.

Board Policy 2017-1 was updated with a minor edit to the Approval and Review section. The Complainant Recourse section was updated to reflect the current process.

Board Policy 2020-1 Peer Review was revised to edit the WAC number referenced in the policy.

The Board voted unanimously to retire the following policies:

- 2002-2 Expert Witness Services
- 2012-1 Social Media

Board Policy 2002-2 was retired, as the information contained in the policy is all included in either the Board Rules or the Public Accountancy Act.

Board Policy 2012-1 was retired, as the policy was made into an administrative policy.

The Board suggested the possible creation of a Board Policy which speaks to the Board’s communication strategy to include who speaks publicly for the Board and how information is disseminated to credential holders and the public at large. The communication strategy topic will be added to the July Board meeting agenda.

The Board Chair authorized the use of his electronic signature on file at the Board office for the signing of the revised policies.

NASBA Update

The Executive Director reported that the in-person NASBA Executive Directors and Board Staff Conference was cancelled and held virtually

due to COVID-19. The following topics were covered during the virtual conference:

- Legal presentation by Brie Allen
- Uniform Accountancy Act (UAA) presentation by Tom Neill
- Link for the entire conference available
- Western Regional Conference in June will be held virtually

Tom Neil reported on the following UAA topics:

- NOCLAR – the Professional Ethics Executive Committee (PEEC) NOCLAR Task Force is getting closer to issuing its final revisions to the NOCLAR Interpretation. It is hammering out some final corrections to the wording, with the goal of getting the revised version to the full PEEC later this summer.
- As part of the NOCLAR process, there has been a request made to the Auditing Standards Board to revise the auditing professional standards, thereby allowing the predecessor auditor to communicate a NOCLAR to the successor auditor. This change in professional standards would then allow communication of confidential client information. Currently 52 of 55 licensing jurisdictions' statute and/or rules would allow this as it is under the guise of compliance with standards.

Legal Counsel's Report

Bruce Turcott, AAG reported that he is transitioning out as the Board's legal adviser. He will remain with the Attorney General's Office. Michelle Carr, AAG, will take over the role and will be working closely with Bruce during the quarter-long, transition period. Michelle stated that she looks forward to working with everyone.

The Board Chair and the Executive Director voiced their appreciation to Bruce for all of his help throughout the years as the Board's legal adviser. They welcomed Michelle and stated that they look forward to working with her as well.

Bruce Turcott also reported:

- Lawsuits against Board members are defended by the Attorney General's Office upon request
- Possible disciplinary process review at the July board meeting

Chair's Report

<u>Farewell to Board Member</u>

The Chair thanked Tom Neill for his dedicated service to the Board and the profession. He stated that Tom is an incredible resource who makes

everything he is involved in better. Tom's Board service will end June 2020.

The Executive Director mirrored the Chair's comments adding that he appreciated Tom's professionalism and excellent advice.

Tom stated that he would be happy to remain a resource after his service on the Board has ended.

NASBA Western Regional Virtual Meeting 2020

The Chair encouraged participation at the regional meeting noting that the national meeting was well attended. He stated that he prefers the Regional meetings.

Board Meeting – July 31, 2020

The Chair stated that the July Board meeting is currently slated to be held in Spokane. Staff will keep everyone posted if the meeting needs to be changed to a virtual meeting.

He expects an in-person meeting, if held, will run longer than usual as the April meeting was condensed to accommodate the virtual format. He asked everyone to plan accordingly when making their travel arrangements.

Accounting Scandals

Mark advised that media sources are reporting potentially numerous accounting scandals may occur in the next couple of years.

Executive Committee

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

Peer Review Oversight Committee

Jackie Meucci has nothing to report.

Request Oversight Committee

Joel Cambern reported:

Firm Names: *Approved*:

INNOV8 CPAS PLLC
SCHULTZ CONSULTING & REVIEW SERVICES LLC
KBK MANAGEMENT, LLC
APEX TAX & FINANCIAL SOLUTIONS LLC
BMMS PARTNERS, PLLC

PURELOGUE CPA, PLLC
NORTH STAR TAX & ACCOUNTING LLC
SUMMIT ACCOUNTING PARTNERS

Professional/Educational Organization – Recognition Requests

During the first quarter of 2020, the Board did not receive any requests for recognition of an educational organization for purposes of obtaining list requests.

Scholarship Oversight Committee

Brian Thomas reported he spoke with Monette Anderson, WSCPA, Director of Membership, regarding the scholarship fund. Preliminary numbers include:

- 81 scholarship winners -- 55 of which are from the Board's scholarship fund
- 17 colleges represented
- Scholarship amounts -- $5,000 for undergraduates and $8,000 for graduate students
- 30% of recipients self-identified as diverse and 64% reported as female

The Board Chair suggested a newsletter article about the scholarship program be included in the Board's July newsletter.

Title Reform Task Force

The Board Chair presented the Board with the task force's status of title reform memo. He stated changes to the CPA-Inactive title are needed to better align with the other Boards.

The Executive Director reported the draft to the RCW is in good shape and he is looking for bill sponsorship. Contact with the Governor's Policy Office has been delayed due to COVID-19. WSCPA or agency led legislation is still being considered.

Rules Review

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

The Executive Director presented a draft of the proposed revisions to the rule and led the discussion. The proposed revisions will: 1) Eliminate the initial licensing 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; 2) Rename the rule section.

The Board directed staff to file the CR-102 as written with the Office of the Code Reviser and to schedule a public rule-making hearing in conjunction with the Board's July meeting.

In the event that the July board meeting must be held by Skype conference due to the COVID-19 virus, the rules hearing will be rescheduled for the Board's next in-person meeting.

Foreign Reciprocity

- WAC 4-30-100 What are the rules governing reciprocity for accountants from foreign countries?
- WAC 4-30-102 How do I apply for an initial Washington state license through foreign reciprocity?

WAC 4-30-100 and 4-30-102 were considered together.

The Executive Director presented a draft of the proposed revisions to the rules and led the discussion. The proposed revisions will: 1) Rename the rule sections; 2) Add requirements from Board Policy into the rules; 3) Specify the requirements for foreign reciprocity licensure.

The Board directed staff to file the CR-102 as written with the Office of the Code Reviser and to schedule a public rule-making hearing in conjunction with the Board's July meeting.

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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 through March 31, 2020.

He reported efforts with the Office of Financial Management (OFM) to get a reduction in the WATech IT support invoice were unsuccessful. The agency is required to pay the full bill which was significantly higher this year than it has been in previous cycles due to WATech's restructuring of fees allocated to the agency.

The Executive Director reported he is closely watching if revenue is affected by COVID-19. A budget reduction is required for every state agency. He is working on reducing expenditures without a reduction in staff which is currently operating with one less full-time employee than allocated. Reduced travel due to the COVID-19 virus will help decrease expenditures.

2019 CPE Audit Results

The Executive Director presented and reported on the 2019 CPE Audit report. He stated that the failure rate remains around 10%.

CPE Deficiency Process

The topic was discussed in the Board Policy section of the meeting.

IT Modernization Update

The Deputy Director reported that the licensing system project is on schedule for completion by the end of the year. Currently, we are in the Design Phase with an expected completion date in June. Then we will move into the Build Phase. Things are running smoothly even in the current situation with everyone working from home. Meetings are being held virtually or by teleconference.

Meeting with the Executive Ethics Board (EEB) Executive Director

The Executive Director reported that the following topics were discussed during their meeting:

- Board Member travel – because of the Board's Section 4 regulatory relationship with NASBA, NASBA cannot pay for Board member travel for committee work. The Board will pay for travel for these trips.
- NASBA meetings – Board members are able to attend NASBA galas at these meeting; however, they should not participate in raffles or drawings. If a prize is won, it must be given back or donated. Attendees have the option to leave once a raffle or drawing begins as prizes are only awarded to individuals who are present.

2020 Executive Director Annual Report

The Executive Director presented the Board of Accountancy's Annual Report to the Governor of the agency's activities for the year ending December 31, 2019.

Retirement Announcement

The Executive Director reported that he will retire at the end of January 2021.

The Board Members expressed their gratitude for his service to the agency and the public, stated he will be missed, and raised questions about succession. The Executive Director advised that the Deputy Director can skillfully manage the agency if a successor is not in place at the time of his retirement.

Enforcement Report

Enforcement Reports:

Taylor Shahon, CPA, Lead Investigator, presented:

- Quarterly Enforcement Report for January 1, 2020 through March 31, 2020
- Resolved Complaint Report for periods April 2019 through March 2020 and April 2018 through April 2019

Taylor reported on the following enforcement activities:

- CPE deficiency process change will remove burden from staff and licensees
- Complaints related to COVID-19 include: inability to contact CPA and work not being performed
- CPAs are being responsive to contact from the enforcement team
- Caseload is remaining manageable

Public Input

Ken Smith, PhD, thanked the Board for the time to participate and provided the following comments:

- Disappointed that Board Members contact information is not publicly available -- public records request had to be submitted to obtain the information
- Indicated additional concerns with audits conducted by the State Auditor's Office
- Expressed possible issues with an inactive CPA from another state providing services here and to which jurisdiction's laws are they held accountable
- Requested formal Board discussion with public outreach concerning audits of Washington municipalities and state government
- Suggested removing the word "governmental" in RCW 18.04.015(1)(a), if the Board is not going to provide any oversight

Adjournment

The Board meeting adjourned at 10:55 p.m.

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Secretary

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Chair

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Vice-Chair

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Member

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