

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of a Regular Meeting of the Board

Time and Place of Meeting	9:01 a.m. – 11:44 a.m. Friday, January 26, 2018 Green River College Emerald City Room 12401 SE 320 th Street Auburn, WA 98092
Attendance	<u>Board Members</u> Karen R. Saunders, CPA, Chair, Board Member Elizabeth D. Masnari, CPA, Vice Chair, Board Member James R. Ladd, CPA, Secretary, Board Member Emily R. Rollins, CPA, Board Member Thomas G. Neill, CPA, Board Member (arrived at 9:12 a.m.) Rajib Doogar, Public Member Mark Hugh, CPA, Board Member Joel Cambern, Public Member <u>Staff and Advisors</u> Charles E. Satterlund, CPA, Executive Director Bruce Turcott, Assistant Attorney General, Board Advisor Jennifer Sciba, Deputy Director Taylor Shahon, Lead Investigator Kirsten Donovan, Board Clerk
Public Rule-Making Hearing	The Board held a public rule-making hearing from 9:01 a.m. to 9:15 a.m. The Board Chair presided. The Board proposed to amend: <ul style="list-style-type: none">• WAC 4-30-010 – Definitions• WAC 4-30-024 What public records are available?• WAC 4-30-038 Fees• WAC 4-30-050 What are the requirements concerning records and clients confidential information?• WAC 4-30-051 What are the requirements concerning client records, including response to requests by clients and former clients for records?• WAC 4-30-140 What are the authority, structure, and processes for investigations and sanctions?

The Executive Director presented a brief statement on each rule.

The Board received one written comment regarding client records.

The Board received public input from Jeremy Saladino concerning WAC 4-30-051 and the requirement to provide records in a “usable” format. He expressed concerns over the many different forms of electronic format available. Mark Hugh advised that the CPA is not required to create the records in an electronic format different from the current record format.

Call to Order

Board Chair, Karen Saunders, called the regular meeting of the Board to order at 9:15 a.m.

Rules Review

WAC 4-30-010 Definitions

The Board voted unanimously to adopt the rule as proposed. The Board voted for an implementation date 31 days after filing.

WAC 4-30-024 What public records are available?

The Board voted unanimously to adopt the rule as proposed. The Board voted for an implementation date 31 days after filing.

WAC 4-30-038 Fees

The Board voted unanimously to adopt the rule as proposed. The Board voted for an implementation date 31 days after filing.

WAC 4-30-050 What are the requirements concerning records and clients confidential information?

The Board voted unanimously to adopt the rule with a minor change that does not change the general subject matter of the proposed rule. The revision changed the word “may” to “shall” in WAC 4-30-050(3)(c). The Board voted for an implementation date 31 days after filing.

WAC 4-30-051 What are the requirements concerning client records, including response to requests by clients and former clients for records?

The Board voted unanimously to adopt the rule as proposed. The Board voted for an implementation date 31 days after filing.

WAC 4-30-140 What are the authority, structure, and processes for investigations and sanctions?

The Board voted unanimously to adopt the rule as proposed. The Board voted for an implementation date 31 days after filing.

**Minutes –
October 27,
2017, Annual
Board Meeting**

The Board approved the minutes of the October 27, 2017, Board meeting as presented.

**Delegations of
Authority**

The Board reviewed the following delegation with staff proposed changes which align the delegation with the revisions made to Board Policy 2004-1:

- Administrative Notices of Non-Compliance/Administrative Sanctions

The Board voted unanimously to revise the delegation as presented.

The Board voted to retain the following delegations revised for the current chair's name, signature, and date:

- Charges, Subpoenas, Negotiate Settlement
- CPE Waiver Extension Requests/Request Review Committee
- Quality Assurance Oversight/Review of Publicly Available Professional Work
- CR-101 Filing

Chair's Report

Peer Review Discussion

- Peer review will be a focus for 2018 for the Compliance Assurance Oversight Committee and Board staff.
- The Chair requested merging the Quality Assurance and the Compliance Assurance Oversight Committees into one committee. More discussion will follow during the committee reports.

NASBA Update

The Board Chair and Executive Director reported on the NASBA Annual Meeting held October 29 to November 1, 2017 in New York, NY. Topics included:

- AICPA credentialing
- Education
- New pathways to CPA

Rajib Doogar addressed the need to work on building the profession and the individuals entering the profession. Tom Neill reported on the following:

- CPE Model Rules passed the UAA committee vote
- Tom will chair the AICPA UAA committee again
- NOCLAR
 - CPAs are required to act if they find non-compliance with the law
 - Michigan Board of Accountancy has a whistleblower clause in its rules, which other states are considering
 - Our Board will need to look at this

Emily Rollins reported on the following:

- NASBA website includes three videos on the investigation process which Board Members, staff, and legal counsel may want to view
- Succession planning is on the agenda for the upcoming NASBA legal counsel meeting
- Peer review oversight committee – NASBA is considering offering this service to Boards

Legal Counsel's Report

Bruce Turcott, the Board's legal counsel, reported on the following:

- Not seeing many bills related to the Administrative Procedures Act, the Open Public Meeting Act, or Public Disclosure requirements in this legislative session
- Reminded Board Members that "reply all" should not be used in email correspondence with Board staff and other Board Members to avoid the appearance of violating the Open Public Meetings Act

Board Member Participation Summary

Board Members discussed their participation in Board outreach activities for 2017.

The Board Chair stating that the Board is doing well in outreach with their choices of Board meeting locations.

Executive Committee

The Chair reported that the following topic was discussed during the committee teleconference:

- The Board meeting agenda

**Compliance
Assurance
Oversight
Committee**

Karen Saunders had nothing to report.

**Legislative
Review
Committee**

The committee had nothing to report.

**Quality
Assurance
Committee**

Tom Neill reported:

- The Board is looking for replacements for Nina Gerbic and Deidre Roberts to serve on the Peer Review Oversight Committee (PROC).
- The Board is making progress in getting the Matters for Further Consideration (MFC) and Findings for Further Consideration (FFC) reports for firms which have received a pass with deficiency or fail peer review grade.
- The Compliance Assurance Oversight and Quality Assurance Committees are blending. Tom Neill will serve as the Chair; Karen Saunders and Joel Cambern will serve as Members.

**Request Review
Committee**

Elizabeth Masnari reported:

Firm Names: *Approved:*

SKY VALLEY BUSINESS SOLUTIONS, INC
C.O.R.E. SERVICES, LLC
FULL POINT DESIGNED SERVICES, LLC
KIRK ACCOUNTING SOLUTIONS, PS
VMC ACCOUNTING & TAX SERVICES, LLC
AMC ACCOUNTING SERVICES, LLC
BHLF LLP
THE HALL OF TAX
RUSHALL, REITAL & RANDALL ACCOUNTANCY
CORPORATION
L. C. MILLER CPA, PS
VICKERMAN CPA GROUP
GREEN NOOK TAX & ACCOUNTING
SOUTH SOUND CPA, PLLC
EFG CPAS PLLC
DAVE BANERJEE CPA, AN ACCOUNTANCY CORPORATION
MT VIEW CPAS PS

Professional/Educational Organization - Recognition Requests:
During the 4th quarter 2017, 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 4th quarter 2017, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

CPE Extension Requests: CPE Extension Requests were received between 11/01/2017 and 12/31/2017.

A total of 48 requests were received:

- 4 requests were for hours 16 or under:
 - 3 approved
 - 1 denied
- 44 requests were for hours 17 or over:
 - 30 approved
 - 12 denied
 - 2 withdrawn

**State Ethics
Compliance
Committee**

Jim Ladd had nothing to report.

**Qualifications
Committee**

Emily Rollins had nothing to report.

**Performance
Review and
Succession
Committee**

Emily Rollins reported that the committee will be revamping the Performance Review.

**Social Media
Committee**

The committee had nothing to report.

**WSCP
Education Fund
Committee**

Elizabeth Masnari reported on the following:

- Accounting of receipts and disbursements for the program
- 45 scholarship recipients this year
- Application deadline for next year's scholarships is February 14, 2018

Kimberly Scott, President and CEO of the WSCP, reported:

- 70 scholarships will be awarded next year
- Application reviewers are needed if any Board Members would like to participate

CPE Task Force Tom Neill reported the following:

- Mark Hugh will be reviewing for differences in CPE requirements between the Board Rules and the CPE Model Rules
- The committee will prepare a report for the April Board meeting

Executive Director's Report

Budget Status

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 December 31, 2017.

Governor Statement on the Marijuana Industry

The Executive Director asked the Board's legal advisor, Bruce Turcott, to speak on this issue. Bruce stated that the U.S. Department of Justice has rescinded the Cole Memo, which provided it would not prosecute state-legal marijuana businesses in states with strict regulatory systems observing federal enforcement priorities. The U.S. Department of Justice did not put a new policy into place. The State is going to stay the course. The Attorney General's Office is monitoring for any impacts on marijuana businesses from the rescission of the memo, such as loss of accounting services, investors, leases, or customers, and Bruce requested to be notified of any impacts.

The Executive Director sees no reason to change the current Board guidance for CPAs who have client relationships with cannabis related businesses.

Brief Discussion on WAC 4-30-110

Various issues regarding firm ownership succession need to be addressed by the Board in this rule.

Semi-annual Rule Making Agenda

The Executive Director advised that Board staff filed the Semi-

Annual Rule-Making Agenda with the following rules being considered for revision:

- WAC 4-30-110 What are the allowable forms of organization and ownership requirements of a CPA firm?
- WAC 4-30-130 What are the quality assurance review (QAR) requirements for licensed CPA firms?
- WAC 4-30-132 What are the program standards for CPE?
- WAC 4-30-134 what are the continuing professional education (CPE) requirements for individuals?

PCAOB and SEC Orders and How We Deal with Them

The staff's current process is to send a questionnaire letter to the individual or firm who receive these orders. Consulting Board Members will be assigned to review staff recommendations concerning these orders.

Dismissed Case Review

Rajib Doogar will complete the next review. Staff will seek a volunteer for review at each Board meeting for quarterly reviews.

Other Matters as Needed

- Administrative Policy #101 – Ethics has been updated. The Board voted unanimously to approve the policy as presented.
- The Canada Report (HB 2468 with Companion Bill SB 6256) concerning British Columbian chartered professional accounting firms performing services in Washington has bipartisan support in both the House and Senate committees. The bill has passed the House Committee and will go to a vote in the Senate Committee next week.
- SB 5057 regarding removing an adjudicative proceeding to the Office of Administrative Hearings upon notice does not seem to be moving.
- Anti-regulation bills do not seem to be moving.
- SB 5928 (Companion Bill HB 2098) – makes financial institutions providing some financial services to marijuana producers, processors, retailers, and others not a crime – Kimberly Scott stated that the WSCPA requested an amendment that adds CPAs and CPA firms, which was agreed to. The amended Bill passed the Senate Committee and was passed to the Rules Committee on January 19, 2018.

- Board Member openings – two positions will be available in June

Enforcement Report

The Taylor Shahon, Lead Investigator, presented the following Enforcement reports to the Board:

- Annual Report for January 1, 2017 through December 31, 2017
- Quarter Report for October 1, 2017 through December 31, 2017

Taylor Shahon reported:

- Average time to process a case is currently down to 70 days
- Complaint form revision intended to reduce the number of complaints filed for which the Board has no jurisdiction

Executive and/or Closed Session with Legal Counsel

No executive or closed sessions with legal counsel held.

Public Input

Kimberly Scott invited Board Members and staff to attend:

- WSCPA Annual Reception for Scholarship Winners on May 17, 2018
- WSCPA Annual Meeting on June 19, 2018

Charlie Hoffman provided a copy of Closing the Skills Gap to Board staff, which will be emailed to the Board Members. He spoke on XBRL (eXtensible Business Reporting Language) and the importance of business logic.

Adjournment

The Board meeting adjourned at 11:44 a.m.

Secretary

Chair

Vice-Chair

Member

Member

Member

Member

Member

Member