

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. – 1:00 p.m. Friday, July 29, 2022
Microsoft Teams Meeting

Attendance

Board Members
Rajib Doogar, Chair, Public Member
Brooke Stegmeier, CPA, Vice Chair, Board Member
Jacqueline Meucci, CPA, Secretary, Board Member (left at 12:01 p.m.)
Mark Hugh, CPA, Board Member
Brian R. Thomas, CPA, Board Member
Kate Dixon, Public Member
Thomas P. Sawatzki, CPA, Board Member
Scott S. Newman, Public Member
Tonia L. Campbell, CPA, Board Member

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

Call to Order Board Chair called the meeting of the Board to order at 9:00 a.m.

Minutes – April 29, 2022, Board Meeting The Board approved the minutes of the April 29, 2022, Board meeting as presented.

The Board approved the use of their electronic signatures on file at the Board office for the signing of the meeting minutes.

Rules Review The Board Chair presented the Semi-annual Rules Development Agenda – July through December 2022 to the Board.

The agenda is informational for the public, and the noted dates of anticipated activity are estimates.

The Acting Executive Director noted that the rules listed are those associated with the Board/AICPA Rules Clarification (BARC) task force's work.

NASBA Update Nancy J. Corrigan, CPA, Pacific Regional Director, NASBA, and Daniel J. Dustin, CPA, Vice President, State Board Relations, NASBA provided an update on the following NASBA activities:

- Reminder of NASBA annual meeting October 30 – November 2, 2022, in San Diego, CA
- Diversity/Board Member diversity
- Support of Accounting STEM Pursuit Act federal legislation
- CPA Pipeline – Engaging with academics and students in your jurisdiction
- CPA Evolution dates
 - Exam blueprint exposed for public comment through 9/30/2022
 - Exam blueprint finalized January 2023
 - New Exam launches January 2024
- CPA Evolution possible rule changes
 - Date of score release for calculation of conditional credit for Exam sections passed
 - Extend conditional credit for sections passed as of January 1, 2024, an additional 18 months
- EvolutionofCPA.org
- NASBA's 3-pronged approach for supporting state boards in response to NC Dental board case
- Principal place of business
 - Disparity of views and changing work environments are making this an important issue
 - UAA definition of principal place of business can be confusing
 - Mobility mantra – No Notice, No Fee, No Escape – adds another element to the conversation
- Criminal conviction legislation – deregulation tools
 - Good moral character
 - Criminal convictions directly related to occupation or profession
 - Passage of time
 - Expungement of disciplinary violations

A question-and-answer session followed the presentation with discussion on the following topics:

- Conformity of Board Rules to the AICPA Code of Professional Conduct with exceptions – specifically, withholding records for outstanding fees
- Elimination of good character requirement
- Accountancy as STEM – how is that classification earned
- How to entice more students into the CPA profession – cost benefits for students
- Peer review
- Closing of Spokane Prometric Center

The Board Chair thanked Nancy and Dan for their contribution and time.

Chair's Report

The Board Chair, Rajib Doogar, reported the following:

- No update available on the Executive Director position vacancy
- NASBA Western Regional meeting attendance
- Mark has kept him apprised of the BARC task force's work

Rajib asked that Board Members bring to him any items that they believe he should be looking into.

Legal Counsel's Report

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

Principal Place of Business

Mark Hugh presented the PowerPoint, Principal Place of Business. The core issue is – does a Washington resident who works as a CPA need a Washington CPA license? Topics included:

- Why now?
 - Remote work has brought the issue to the forefront
 - Efforts to create uniformity among boards for licensee and firm mobility have created definitions that may not fit well in the remote work environment
 - Public protection is predicated on the Board's ability to restrict, sanction, or revoke a Washington CPA license
- Washington State Board of Accountancy Uniqueness
 - Non-resident licensing is allowed – Only 60% of Washington licensees are residents of the state
 - Firm licensing requirements are less restrictive than in other states
 - Firm license required only if performing or offering to perform attest or compilation services
 - Most other states require a firm license if the firm:
 - Performs attest or compilation services
 - Is comprised of more than a single owner
 - Assumes or uses the designation CPA or other words that indicate the firm is composed of CPAs
- Definitions
 - "Holding out" means any representation to the public by the use of restricted titles by a person or firm that the person or firm holds a license, and that the person or firm offers to perform any professional services to the public as a licensee.
 - "Professional services" include all services requiring accountancy or related skills that are performed for a

client, an employer, or on a volunteer basis. These services include, but are not limited to, accounting, audit and other attest services, tax, bookkeeping, management consulting, corporate governance, personal financial planning, business valuation, litigation support, and educational.

- “Practice of public accounting” means performing or offering to perform by a person or firm holding itself out, for a client or potential client:
 - One or more kinds of services involving the use of accounting or auditing skills, including the issuance of "reports"
 - One or more kinds of management advisory, or consulting services, or the preparation of tax returns, or the furnishing of advice on tax matters. RCW 18.04.025(18)
 - The "practice of public accounting" shall not include practices by persons or firms not required to be licensed as a CPA. RCW 18.04.025(18)
- “Practice privileges,” allow an out-of-state CPA or out-of-state firm to temporarily enter a state to hold out or practice public accounting but are not the equivalent of a license.
- “Principal place of business” means the office location designated by the licensee for purposes of substantial equivalency and reciprocity.
- “Substantial equivalency” and “reciprocity” means the requirements for obtaining an CPA license in the other state are the equivalent of Washington, or the other state will issue a CPA license based upon a valid Washington license.
- No individual may “hold out” in Washington unless the individual:
 - Holds a valid Washington CPA license
 - Qualifies for practice privileges
- Practice privileges allow an individual whose principal place of business is outside of Washington to not be required to have a Washington license to hold out or practice public accountancy in Washington. RCW 18.04.350(2)
- Interstate mobility – “No notice”, “No fee”, “No escape”
 - Out-of-state individuals holding valid licenses to practice public accounting issued by a substantially equivalent state, may hold out and practice within Washington state and/or provide public accounting services in person, by mail, telephone, or electronic means to clients residing in Washington state without notice or payment of a fee.
 - A firm that does not have an office in this state but offers or renders attest or compilation services in this state is not

required to have a firm license, among other requirements, if performed by an individual with practice privileges.

- Questions
 - Is “out-of-state” a synonym for “principal place of business”, or is “out-of-state” a prerequisite for “principal place of business”?
 - Can a Washington resident be considered an “out-of-state” individual for practice privilege purposes and not obtain a Washington license?
 - What does it mean for an individual to “designate” an office location?
 - Must an individual affirmatively designate an office location to qualify?
 - Can a designated office location be either physical or virtual?
 - Are the homes of remote workers considered “office locations”?
- NASBA is working with boards on clarifying definitions in the Uniform Accountancy Act (UAA).

Board Members, staff, and others brought up the following points during the discussion following the presentation:

- How will this affect licensing and revenue?
- Can the process be manipulated?
- Be wary of unintended consequences from any decisions made
- Perhaps residency rather than principal place of business needs to be the standard for licensing requirement
- Be cautious of up-ending mobility
- National assistance will help
- Gaps in public protection created
- Public listing of Board sanctions against individuals not licensed in Washington

The Board directed staff to respond to email and phone inquiries by recommending that individuals living in our state, but working exclusively for an out-of-state firm or clients, obtain a Washington CPA license.

**Education
Requirement for
CPA Exam**

The Board Chair advised that there is a national movement towards a 120-hour requirement to sit for the Uniform CPA Examination (CPA Exam).

The Acting Executive Director led the discussion on changing our 150-hour education requirement to sit for the CPA Exam to a 120-hour

requirement, noting that licensure would still require 150 hours of education. She suggested the following reasons for making the change:

- Washington is only one of 8 remaining states requiring 150 hours of college education to sit for the CPA Exam
- Many applicants go to another state to sit for the CPA Exam before coming to our state to get their initial CPA license
- Applications submitted with the transfer of CPA Exam scores require additional staff time – education must be reviewed since it has not been reviewed for meeting our education requirements before sitting for the CPA Exam
- CPA Exam Services (CPAES) has agreed to review the additional education for Washington Exam candidates prior to application for licensure if we change to the 120-hour requirement
- NASBA International Evaluation Services (NIES) evaluations – 14-15% of our initial license applicants must have re-evaluations done since they sat for the Exam as a candidate of another jurisdiction
- Washington would be more desirable to Exam candidates if the requirement to sit was at 120 hours
- Removes barriers – CPA pipeline

Board Members brought up the following points during the discussion:

- Reduction of cost to applicants
- Reduces staff time needed to review/process applications
- Reduces barriers
- Processes in place for holding scores while additional 30 hours of education are completed
- Is 120 hours for licensure being considered? – 120 hours of education is not enough to develop a CPA
- Does CPA Evolution address this?

The Board voted unanimously to start the rule making process to change the education rule to require 120 hours of college education to sit for the CPA Exam. Board staff will file the CR-101.

Executive Committee

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

Peer Review Oversight Committee (PROC)

Jackie Meucci reported that the committee continues to review the peer review reports as they come in. The committee will have a broader report for the October Board meeting.

Request Oversight Committee (ROC) Tom Sawatzki reported:
Firm Names: Approved:

Deranleau CPA, PLLC
PH CPA LLC
Ray Curry CPA PS Inc.
DG Accounting Professionals, LLC
Gold Creek CPA
SilverLake CPA, LLC
RF Company CPA's, P.S
Tricia Delles, CPA
Wersen Nonprofit CPAs LLC
Apella Services, LLC
Forvis LLP

Professional/Educational Organization – Recognition Requests

During the second quarter 2022, 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 05/01/2022 and 06/30/2022.

The Board received 10 late fee waiver requests:

- Approved – 2
- Denied – 8

Scholarship Oversight Committee (SOC) Kate Dixon reported distribution of the scholarship checks to the award winners has begun.

Board/AICPA Rules Clarification Task Force (BARC) Mark Hugh presented the BARC Suggested WAC Revisions report and led the discussion on the proposed revisions. Mark reported the following:

- Recap from April Board meeting
 - Current Board ethics rules adopted the AICPA rules with exceptions
 - Goal is to make the rules more clear
 - Parallel format was agreed upon

- In the report the yellow high-lighted areas are the exceptions to the AICPA rules
- Client records were not fully decided at the last meeting, so those areas still need updating/suggested revisions
- Policy 2003-1 Safe Harbor Language was not added to these rules, since these rules are specific to CPAs and CPA-Inactive Certificate holders. Possibly another rule could be created at a later time to address this long-standing policy.
- Mark is asking that Board Members send him any comments on the rule edits suggested by the BARC task force

The Board directed staff to file the CR-101 for the ethics and prohibited practice rules to begin the rule making process, noting that there is no need to rush these rules. The Board can take its time with the revisions.

Tom Sawatzki recognized Mark and the task force for the hard work that went into the revisions. Tom stated that he wants feedback from the CPA community regarding the client records/unpaid fees issue.

The Acting Executive Director advised that she will send a notice to licensees requesting feedback.

Acting Executive Director's Report

Budget Status Report

The Acting Executive Director, Jennifer Sciba, 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 June 30, 2022.

Jennifer reported that based on agency needs no supplemental budget requests will be submitted this year.

Expenses will increase this year, as travel to NASBA conferences and in-person Board meetings will begin after a 2-year interruption due to COVID-19.

CPA Evolution Transition Recommendation from NASBA

Jennifer presented the NASBA CPA Evolution Transition Recommendation Letter. She would like to accept the recommendation to extend Exam section scores during the transition period to the new Exam. Any candidate with Uniform CPA Examination credit(s) on January 1, 2024, will have such credit(s) extended to June 30, 2025.

The Board agreed with the recommendation.

Renewal Update

Jennifer reported on the 2022 renewal period:

- Renewal Totals
 - CPA licenses – 6633
 - CPA-Inactive Certificates – 318
 - Non-licensee Firm Owners – 18
 - CPA Firms -- 531
- CPE Extension Requests
 - CPA licenses – 937
 - CPA-Inactive Certificates – 22
 - Non-licensee Firm Owners – 2

October Board Meeting

Jennifer advised the Board that the October 28, 2022, Board meeting will be held in-person at the Capitol Event Center in Tumwater, WA. The meeting will be hybrid and available virtually through Microsoft Teams, as well.

Masks will be required for those attending in person.

Enforcement Report

Taylor Shahon, CPA, Lead Investigator, presented:

- Quarterly Enforcement Report for April 1, 2022, through June 30, 2022
- Twelve-Month Lookback for July 1, 2021, through June 30, 2022
- Resolved Complaint Report for periods July 2021 through June 2022 and July 2020 through June 2021

Taylor reported on the following enforcement activities:

- Open caseload numbers:
 - Beginning of the quarter – 22
 - End of the quarter – 12
- Fewer complaints were submitted in 2020-2021 but are picking back up in 2022
- Records are still a main subject of complaints
- Phone calls related to principal place of business have increased
- A website page for posting disciplinary actions for non-licensed individuals is currently being considered

Taylor thanked the Board Members who served as a Consulting Board Member (CBM) for their responsiveness to his requests.

Executive and/or Closed Session with Legal Counsel No executive or closed sessions were held.

Public Input Jeremy Saladino of the Washington Association of Accountants and Tax Professionals (WAATP) thanked Jennifer for presenting at the WAATP annual meeting.

Shad Luedke, CPA, emailed public comment. "Please consider changing your rules to allow CPE reporting in other than half hour (0.5) increments. Most of E&Y's CPE classes end with earned CPE credits in 0.2 increments. 1.2, 1.8, and 2.2 earned credits are common. The differences may seem small and insignificant, but they add up. In my case, for example, your requirement that I round down to the nearest 0.5 increment results in me losing 16% of my earned credits. Thank you for the consideration."

The Board asked that the CPE rule be added as an agenda topic to the October Board meeting for further discussion.

Adjournment The Board meeting adjourned at 1:00 p.m.

Secretary

Chair

Vice-Chair

Member

Member

Member

Member

Member

Member