

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of an Annual Meeting of the Board

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| Time and Place of Meeting | 9:02 a.m. – 12:04 p.m. Friday, October 27, 2017 University of Washington - Bothell Collaboratory in the Beardslee Building 18807 Beardslee Blvd., UWBB205 Bothell, WA 98011 |
| Attendance | <u>Board Members</u> Thomas G. Neill, CPA, Chair, Board Member Elizabeth D. Masnari, CPA, Vice Chair, Board Member James R. Ladd, CPA, Secretary, Board Member Emily Rollins, CPA, Board Member Favian Valencia, Public Member (arrived at 9:07 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 L. Turcott, Assistant Attorney General, Board Advisor Jennifer Sciba, Deputy Director Taylor Shahon, Lead Investigator Kirsten Donovan, Board Clerk |
| Call to Order | Board Chair, Tom Neill, called the annual meeting of the Board to order at 9:02 a.m. The Board Chair excused the absence of Karen R. Saunders, CPA, Board Member. |
| Minutes – July 28, 2017 Regular Board Meeting | The Board approved the minutes of the July 28, 2017, regular Board meeting as presented. |
| Chair’s Report | <u>Election of 2018 Officers</u> – The Chair presented the following slate of officers to serve during 2018: <ul style="list-style-type: none">• Chair – Karen R. Saunders, CPA• Vice Chair – Elizabeth D. Masnari, CPA• Secretary – James R. Ladd, CPA No other nominations were made. The Board cast a unanimous vote for the slate of officers presented. |

2018 Board Meeting Schedule – The Board established the following schedule for the 2018 Board meetings:

- January 26, 2018 – Green River College – Auburn
- April 20, 2018 – Everett Community College – Everett
- July 19, 2018 – Yakima Valley Community College – Yakima
- October 19, 2018 – John A. Cherberg Building – Olympia

Committee Appointments for 2018 – The Board made the following committee appointments for 2018:

- Compliance Assurance Oversight Committee
Chair:
Karen R. Saunders, CPA
Member:
Thomas G. Neill, CPA
- Legislative Review Committee
Chair:
Favian Valencia, Public Member
Member:
Mark Hugh, CPA
- Quality Assurance Committee
Chair:
Thomas G. Neill, CPA
Member:
Joel Cambern, Public Member
- Request Review Committee
Chair:
Elizabeth D. Masnari, CPA
Member:
Joel Cambern, Public Member
- State Ethics Compliance Committee
Ethics Advisor:
James R. Ladd, CPA
- Qualifications Committee:
Chair:
Emily R. Rollins, CPA
Members:
Elizabeth D. Masnari, CPA

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Rajib Doogar, Public Member

- Performance Review and Succession Committee

Chair:

Emily R. Rollins, CPA

Member:

Joel Cambern, Public Member

- Social Media Committee

Chair:

Favian Valencia, Public Member

Member:

Jennifer Sciba, Deputy Director

- WSCPA Education Fund Committee

Chair:

Elizabeth D. Masnari, CPA

Member:

Favian Valencia, Public Member

NASBA CPE Task Force Update and Nano-learning Conversation

The Board Chair reported that the task force met in September 2017 to review the comment letters they received and to redraft the model rule draft. The vote to adopt the revised model rules is taking place today.

The Board created a CPE task force with the following members:

- Rajib Doogar
- Mark Hugh
- Tom Neill

The task force will review the model rules to consider possible changes to the Board Rules. The primary areas of focus will be on the following sections of the model rules:

- Completion of a minimum of twenty (20) CPE credits during each annual period included in the CPE reporting period
- Completion of an average of two (2) ethics CPE credits for each annual period included within the CPE reporting period

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- Completion of a minimum of fifty percent (50%) of the total CPE credits required for the CPE reporting period in technical fields of study
- The sources of qualifying learning activities include but are not limited to the following:
 - Group programs
 - Self-study programs
 - Blended learning programs
 - Nano-learning programs
 - Instructor/developer of CPE programs
 - Technical reviewer of CPE programs
 - Independent study
- Participation and work on a technical committee of an international, national, or state professional association, council or member organization, or a governmental entity that supports professional services or industries that require unique and specific knowledge in technical fields of study
- The following are deemed to be qualifying CPE program sponsors provided they offer activities which comply with the Statement on Standards for CPE:
 - Persons, firms, associations, corporations, or other groups that are members of NASBA's National Registry of CPE sponsors
- Computation of CPE credits

The task force will also consider a change to the renewal cycle.

Disciplinary Actions Post SEC or PCAOB Investigations

The Board Chair led the discussion on Board disciplinary actions post SEC or PCAOB investigations. Typically the Board waits until after the investigation is complete before it takes any action. The Board Chair would like the Board Members and staff to consider the following when processing the case:

- Is taking action after the other entity has disciplined the CPA or CPA firm appropriate or is this just the “piling on” of penalties?
- Was harm done within our state?

- Was the violation pervasive?
- Is the CPA or CPA firm participating in corrective action?

AICPA Rebranding

The Board Chair reported that the CGMA title use issue is not going to go away. We may need to look at the Board Rule regarding title for possible revision. The key is disclosure and the proximity to public accounting.

Familiarity Threat Update

The Board Chair reported on the AICPA Professional Ethics Executive Committee's (PEEC) Long Association of Senior Personnel with an Attest Client Exposure Draft. The potential for independence problems or pressure to breach the rules may exist in these situations. Many firms avoid the familiarity threat issue with partner rotation.

Rules Review

WAC 4-30-010 Definitions

The Executive Director presented the rule draft and led the discussion of the proposed revisions. The revisions add a definition for authorized person and delete the numbering of the definitions.

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

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

The Executive Director presented the rule draft and led the discussion of the proposed revisions. The revisions eliminate the charge for copies of public records and rename the rule.

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

WAC 4-30-038 Fees

The Executive Director presented the rule draft and led the discussion of the proposed revisions. The revisions eliminate the charge for copies of public records.

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

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

The Board Chair presented the rule draft and led the discussion of the proposed revisions. The revisions incorporate aspects of the AICPA Code of Professional Conduct into the rule and rename the rule.

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

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

The Board Chair presented the rule draft and led the discussion of the proposed revisions. The revisions incorporate aspects of the AICPA Code of Professional Conduct into the rule and rename the rule.

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

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

The Executive Director presented the rule draft and led the discussion of the proposed revisions. The revisions

clarify the delegation of authority to the Executive Director, simplify, and rename the rule. The revisions allow for establishing policies to define the responsibilities, process, and procedures for performing investigations and resolving disciplinary matters.

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

Proposed New Board Policy

2017-2 Publication and Posting of Disciplinary Actions

The Executive Director presented a draft and led the discussion on the proposed new policy. The purpose of the policy is, in part, to protect the public interest by making accessible disciplinary actions taken by the Board.

The Board voted unanimously to adopt the new policy.

NASBA Update

Tom Neill reported on the following topics:

- Annual meeting in New York next week – four Board Members, the Executive Director, and the Deputy Director will attend
- Explanation of NASBA International Evaluation Services (NIES) and CPA Exam Services (CPAES) for the students attending the meeting
- Meeting scheduled with British Columbia officials concerning the cross border initiative
- Use of title question
- Board Member positions with NASBA for the upcoming year
 - Emily Rollins is on the Enforcement Committee
 - Tom Neill is on the Ethics Committee
 - Jim Ladd is the Pacific Regional Director on the Board of Directors
 - Jim Ladd is the Chair of the Bylaws Committee

Executive Director's Report

Current Budget Report and Appropriation Request for Electronic Content Management

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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 run through September 29, 2017.

The Executive Director reported that an appropriation request has been submitted for an Electronic Content Management (ECM) system. The agency is currently waiting for the approval or denial of the request.

Updated Strategic Plan

The Executive Director presented the updated 2017-2019 Biennium Strategic Plan. He asked that Board Members contact him with any changes or questions.

Washington State Ethics & Regulations for CPA Applicants Test Revision

The Executive Director advised that he, Tom, and Mark are still working on the updates.

WAC 4-30-110 What are the allowable legal forms of organization and ownership requirements for a CPA firm?

The Executive Director reported that he has been receiving inquiries regarding trusts owning CPA firms. He believes that responsible regulators should be responsive to constituents and would like the Board Members to think about this issue for possible further discussion.

Non Appropriated Agency Status

The Executive Director reported that the agency has always been an appropriated agency and obtaining non appropriated agency status is difficult. The primary reason for wanting the status is to access the funds for expensive disciplinary matters.

Revisit of the Board's Marijuana Position Statement from July 2014

The Executive Director presented the proposed website posting for guidance to CPAs regarding representing clients in the marijuana industry.

The Board voted unanimously to add the proposed posting as written.

Board Member Candidate Pool

The Executive Director advised that he would like to keep a pool of possible candidates for Board Member positions. He can advise these individuals to apply for these Governor appointed positions when vacancies open. He asked that the Board Members let him know of anyone who like to be added to the list.

Virtual Office Discussion

The committee formed at the last Board meeting, Jim Ladd, Rajib Doogar, and Elizabeth Masnari, met by telephone with the Executive Director and Deputy Director to discuss virtual offices.

Board Rule requires that a firm located in Washington must have a licensed resident CPA managing the office. Virtual offices have addresses in the state, but do not have a physical office location.

The committee reported they felt it is not necessary for a Washington CPA firm to have a separate office from the virtual office as long as the firm has a resident CPA manager.

Peer Review and the Board's Role in Oversight

Tom Neill and Jennifer Sciba led the discussion. Topics included:

- Peer review purpose shift – started out as corrective, but now seems to be more punitive
- Multiple Pass with Deficiency (PWD) or Fail ratings for a firm – what actions should the Board take
- Extent of the PWD or Fail cannot be determined with reports that the Board receives

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- Findings for Further Consideration and Matters for Further Consideration reports should be sent to the Board with PWD or Fail ratings – a shift in the current practice would allow the Board to look into the rating with more detail
- Possible development of a Board Policy after we receive more data

Executive Committee

Tom Neill reported that he spoke with the Vice Chair and the Secretary by phone. He has no issues to report.

Compliance Assurance Oversight Committee

Tom Neill advised that the committee had nothing to report.

Legislative Review Committee

Favian Valencia had nothing to report.

Quality Assurance Committee

Tom Neill reported on the 2017 Quality Assurance Review (QAR) results.

Request Review Committee

Elizabeth Masnari reported on the 3rd quarter 2017 approval and denials from the committee:

Firm Names: *Approved:*

- ALDARIS CPA GROUP
- OSPREY ACCOUNTING SERVICES, INC.
- KBF CPAS
- STARYKOV TAX & ACCOUNTING LLC
- NORTHWEST ACCOUNTANCY INC
- WELDON TAX ADVISORS, LLC
- WEST SOUND CPA
- CUC ACCOUNTING AND TAX LLC

Professional/Educational Organization - Recognition Requests: During the 3rd quarter 2017, the Board

received one request for recognition as an educational organization for purposes of obtaining list requests.

- WebCE (formerly APlusCPE) was approved for recognition

Domestic or Foreign Education Credential Evaluation Services – Applications: During the 3rd quarter 2017, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

State Ethics Compliance Committee

Jim Ladd reported that he reviewed the annual state ethics compliance checklists completed by Board staff. No matters were reported that require further attention or action.

Qualifications Committee

Emily Rollins reported on the following topics:

- Fraudulent education (transcripts) found during CPAES education reviews for the CPA Exam
 - Should those individuals be restricted from ever sitting for the CPA Exam?
 - Do our Board Rules allow us to restrict those individuals from taking the Exam in the future if they complete the required education?
 - How do we monitor these individuals?
 - How do we prevent them from getting licensed in another jurisdiction?
- Military Education

Performance Review and Succession Committee

Emily Rollins reported that the committee is working on revisions to the Executive Director Performance Evaluation.

Social Media Committee

Jennifer Sciba reported she will be:

- Meeting with NASBA for help with getting the Board's Facebook page up and running
- Working on our policy for citizen posts and comments
- Working on records retention requirements for the Facebook posting
- Looking at software to capture the records

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She stated that creating the Facebook page is the easy part – it's all the groundwork that needs to be done beforehand that takes time.

**WSCP
Education Fund**

Elizabeth Masnari presented the Projected Fund Balance and Estimated Expenses for Administering Washington State Certified Public Accounting Scholarship Program – for the Year Ending September 30, 2018.

Kimberly Scott, President and CEO of the WSCP, advised that the scholarship application deadline is February 14, 2018. They have received 60 applications at this time.

Monette Anderson, Academic Relations Coordinator of the WSCP, provided marketing handouts for the program and advised of recruiting and workshops being held on college campuses throughout the state.

**Legal Counsel's
Report**

Bruce Turcott, the Board's legal counsel, had nothing to report.

**Enforcement
Report**

Taylor Shahon presented the Enforcement Report for July 1, 2017 through September 30, 2017.

Taylor reported that the 2017 CPE audit is underway. The current CPE audit failures are primarily due to double-counting of the Board approved Washington Ethics course for individuals who used the self-reported CPE deficiency process during their last renewal cycle.

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

No executive or closed sessions with legal counsel held.

Public Input

The Board received input from Kimberly Scott throughout the meeting.

Adjournment

The meeting adjourned at 12:04 p.m.

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Secretary

Chair

Vice-Chair

Member

Member

Member

Member

Member

Member