



Board of Accountancy

Report to the Governor

2023

For the year ending December 31, 2023

Brian R. Thomas, CPA
Board Chair

Michael J. Paquette, CPA
Executive Director

This document contains the Annual Report to the Governor of the Agency's activities as required by RCW 18.04.045(6). This report includes background information, successes and challenges, budget, and other information about agency activities.

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Introduction

This report is intended to fulfill the requirement of RCW 18.04.045 and serves as the Washington State Board of Accountancy's annual report to the Governor of Washington State. In addition, this report is available to the public upon request.

Our Authority derives from the Public Accountancy Act RCW 18.04 and Board Rules WAC 4-30.

The Board is a non-general fund agency, so does not draw from the general fund. The Board is funded by CPAs, CPA-Inactive certificate holders, CPA firms, non-licensee CPA firm owners and CPA examination applicants' administrative fees which cover the agency's operating expenses.

Any questions regarding this report should be directed to Michael J. Paquette, CPA, Executive Director at mike.paquette@acb.wa.gov or (360) 485-1659.

Mission

We serve the public by promoting the reliability of financial information issued by Certified Public Accountants or their firms and by regulating the qualification, conduct, and substantial equivalency of Certified Public Accountants.

Purpose RCW 18.04.015

(1) It is the policy of this state and the purpose of this chapter: (a) To promote the dependability of information which is used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private, or governmental; and (b) To protect the public interest by requiring that: (i) Persons who hold themselves out as licensees or certificate holders conduct themselves in a competent, ethical, and professional manner; (ii) A public authority be established that is competent to prescribe and assess the qualifications of certified public accountants, including certificate holders who are not licensed for the practice of public accounting; (iii) Persons other than licensees refrain from using the words "audit," "review," and "compilation" when designating a report customarily prepared by someone knowledgeable in accounting; (iv) A public authority be established to provide for consumer alerts and public protection information to be published regarding persons or firms who violate the provisions of chapter 294, Laws of 2001 or board rule and to provide general consumer protection information to the public; and (v) The use of accounting titles likely to confuse the public be prohibited.

2023 Summary

Washington State Board of Accountancy (Board) made some very exciting rule changes this year. The previous window that a candidate had to pass all four parts of the CPA examination was 18 months. The Board updated its rule to extend this window to 36 months, one of the longest windows in the country. We were one of 6 states left that required a candidate to sit at 150 credit hours of education. We have now moved to 120 credit hours but will require 150 credit hours for licensure.

The agency's financial position is solid. Revenue has been strong and expenditures somewhat less than expected due FTE vacancies and slightly less travel. The agency underspent its Biennium 2021-23 allotments and ended the biennium with approximately \$3.1 million in its operating account.

The Board of Accountancy is working to embed the Pro-Equity Anti-Racism (PEAR) framework outlined in Executive Order 22-04 in all agency decision making and actions. We have a fully formed PEAR team and will begin quarterly meetings in 2024.

We believe strongly in the Governor's mission to create an anti-racist state where all are welcomed and can thrive regardless of race, ethnicity, creed, color, national origin, citizenship or immigration status, sex, honorably discharged veteran or military status, sexual orientation, or the presence of sensory, mental, or physical disability.

Our goal is to create a culture that centers pro-equity, racial justice, access, and belonging for all. We are committed to reframing our agency to work in a way that reduces disparities and improves equitable and just outcomes for everyone now and in the future.

The People We Serve

The Washington State Board of Accountancy serves all the State's citizens. The Board licenses and regulates CPAs, CPA firms, non-licensee owners of CPA firms, and CPA-Inactive certificate holders.

In addition, CPAs licensed in our state can practice in other states through individual and firm mobility. Approximately one third of our licensee population obtained and maintain their Washington state license while remaining residents of other countries outside the USA. These individuals reside primarily in Pacific Rim countries. The Washington State Board of Accountancy is proud of its part in maintaining this connection to our international neighbors.

Board staff has found an interesting item of note. In 2023, the Board's licensed population totaled 23,078 CPAs; of those, 12,670 were in Washington, 3,413 were in Japan, 1,060 were in China and Hong Kong, 1,212 were in South Korea, with the remainder in other states and countries. In 2023, licensees in Washington increased by 82 and licensees in locations other than Washington increased by 931. This demonstrates the Board's regulation of a credential that is

increasingly seen as a “worldwide” professional designation with 55% of its licensees declaring residency in Washington and 45% in other countries and states.

Board Members and Staff

Board Members

The Board is composed of nine members appointed by the Governor to serve three-year terms.

At year end, our Board members are:

Brian R. Thomas, CPA, Chair
Mark Hugh, CPA, Vice Chair
Kathryn Dixon, Public, Secretary
Rajib Doogar, Public Member
Brooke Stegmeier, CPA Member
Jacqueline Meucci, CPA, Member
Thomas P. Sawatzki, CPA, Member
Scott S. Newman, Public, Member
Tonia L. Campbell, CPA, Member

Staff Members

At year end, our nine Board staff are:

Michael Paquette, CPA, Executive Director
Jennifer Sciba, Deputy Director
Lori Mickelson, Chief Administrative Officer
Tia Landry, Data and Systems Administrator
Taylor Shahon, CPA, Lead Investigator
Kelly Wulfekuhle, Lead Solutions Analyst
Kirsten Donovan, Operations Manager
Isaac Ross, Licensing Specialist
Tim Taylor, Customer Service Specialist

Strategic Plan

Priorities

- Serve the public by promoting the reliability of financial information issued by Certified Public Accountants or their firms and by regulating the qualification, conduct, and substantial equivalency of Certified Public Accountants.
- Provide outstanding customer service.
- Protect and maintain the security of private personal information that is in the custody of the Board.

- Implement the Public Accountancy Act, Board Rules, and Board Policies in a fair and equitable manner.
- Maintain compliance with all other required statutes and rules affecting the agency.
- Strive to be an organization that focuses on the well-being and safety of employees through training, process improvements, and ensuring a secure workplace.

Goals

- Strive to improve the ease of constituent access to, and the user-friendly nature of, information related to Board and Agency functions, processes, and actions.
- Protect and maintain the security of private personal information that is in the custody of the agency.
- Maintain a robust enforcement effort that responds to complaints in a timely and appropriate manner and completes investigations within agency standards.
- Embed the values of diversity, equity, and inclusion in all aspects of our agency.

State Board of Accountancy Agency Summary

BITD as of December 2023 Fund 02J

| <u>Category</u> | <u>BI Allotment</u> | <u>BITD Allotment</u> | <u>BITD Expenditures</u> | <u>BITD Variance</u> |
|--------------------------------|-------------------------|-------------------------|--------------------------|-----------------------|
| Capital Outlays | 20,400 | 5,100 | 1,437 | 3,663 |
| Employee Benefits | 556,138 | 140,922 | 133,376 | 7,546 |
| Goods and Services | 2,271,408 | 569,781 | 381,541 | 188,240 |
| Professional Service Contracts | 204,000 | 51,000 | 55,326 | (4,326) |
| Salaries and Wages | 1,656,474 | 417,761 | 407,573 | 10,188 |
| Travel | 61,580 | 16,670 | 13,729 | 2,941 |
| Sum: | <u>4,770,000</u> | <u>1,201,234</u> | <u>992,983</u> | <u>208,251</u> |

Revenue Received

The agency is not funded through the general fund; the agency receives its revenue from CPA license fees and applicant exam administrative fees. The agency can also recoup costs associated with the investigative process, but fines are contributed directly to the state general fund.

During the period of fiscal years 2019 to 2023, the agency recorded the receipt of the following revenues:

Board of Accountancy Revenue by Fiscal Year

| | Major Source | Source | FY 2023 | FY 2022 | FY 2021 | FY 2020 | FY 2019 |
|---|---|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| 001 - General Fund | 04 - States Charges & Miscellaneous Revenue | 05 - Fines, Forfeits and Seizures | \$8,500 | \$6,000 | \$36,230 | \$29,800 | \$20,050 |
| 02J - Certified Public Accountants' Acct | 02 - Licenses, Permits, and Fees | 01 - Accountants | \$1,941,465 | \$2,492,070 | \$2,294,870 | \$1,706,330 | \$2,286,140 |

Licensing revenues by fiscal year are somewhat skewed by the nature of the triennial renewal cycle. Approximately 36.6% of licenses were renewed in FY 2021; 36.1% in FY 2022; and 27.3% in FY 2023."

FTEs Allocated/Used

Our agency staff is authorized (and funded) for a total of ten (10) full time equivalent employees (FTEs). By leveraging the experience of our current staff, we are successfully operating with nine (9) FTEs. This reserve capacity allows the agency to remain agile in reacting to unexpected workloads.

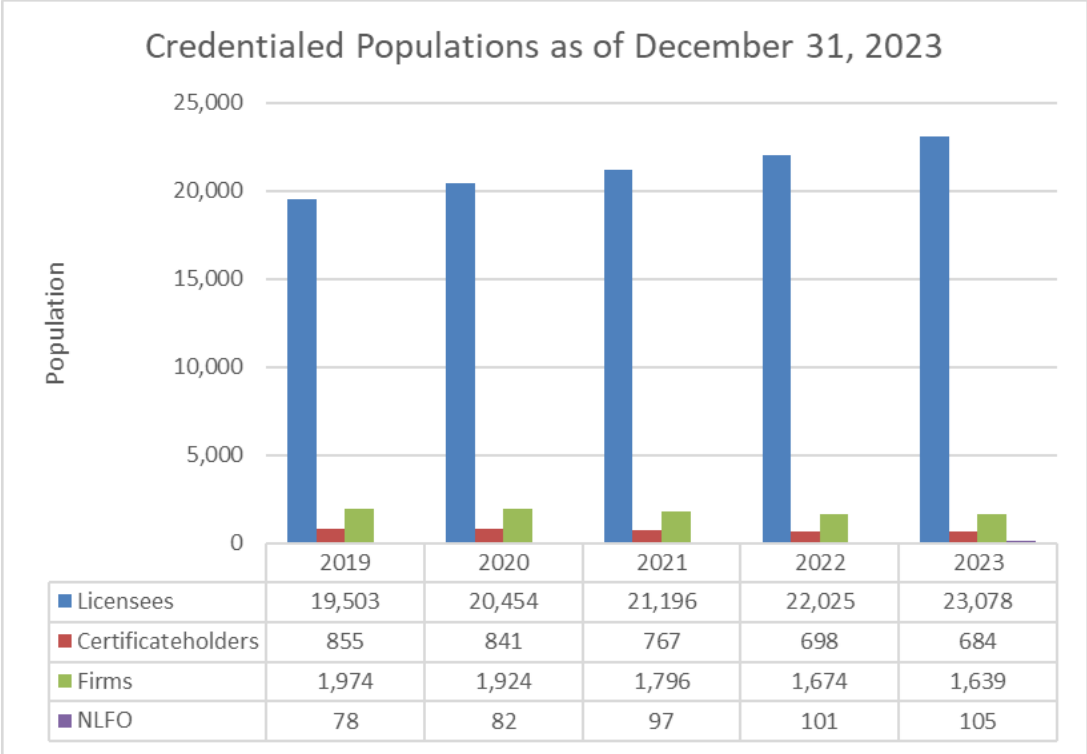
Washington Management Service (WMS) Positions Allocated/Filled

To minimize the growth of middle management, the agency strives to find classified positions that suit our operational requirements. Our agency is allocated for two WMS positions, but currently utilizes only one. Unless there is a sound rationale to fill the second WMS position, we will strive to remain within our authorized number of WMS positions.

Performance

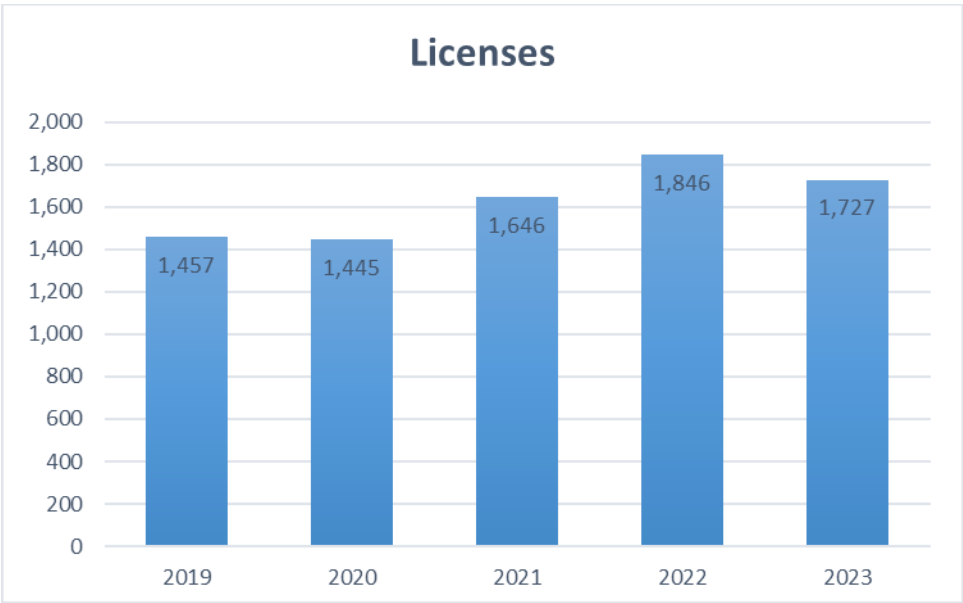
Credentialed Population

The Board's credentialed population continues to grow. The following chart shows the total number of licensees CPAs, CPA-Inactive certificate holders, CPA firms, and Nonlicensee owners of CPA firms (NLFO) for last five calendar years:



New Licensees

The total number of new licensees who obtained their license in Washington State in the past five calendar years dipped in 2023. We believe this slight dip is due to the new CPA exam format that will go into effect January 1, 2024.



Enforcement

The Board continued its enforcement of the Public Accountancy Act throughout the post-pandemic environment. The number of cases has decreased due to the agency's efforts to:

1. Provide consumers with clear, accessible information through the agency's website.
2. Provide extended resources for consumers for matters outside of the Board's jurisdictions.

| Year | 2023 | 2022 | 2021 | 2020 |
|---|------|------|------|------|
| Cases received during year | 43 | 81 | 46 | 64 |
| Cases resolved during year | 44 | 78 | 45 | 60 |
| Average age in days, of resolved cases | 68 | 68 | 106 | 77 |
| No. of cases at end of year | 15 | 16 | 20 | 31 |

Regulatory Actions

CPA Inactive Legislation

The Public Accountancy Act (RCW 18.04) legislation passed on March 17, 2022, allowing the remaining population of certificate holders to transition to a CPA license in an inactive status and provide the opportunity for the certificate holders to become licensed in an active status. This allows the creation of the new inactive status available to licensees. The effective date is July 1, 2024. The Board began the rulemaking process to align with the change in legislation.

Board AICPA Review Committee (BARC)

The committee worked towards rationalizing rules and better articulation of differences between AICPA and Board rules to make it easier for licensees to remain compliant. The committee continues to meet to review the new AICPA rules and the effect on Board rules.

CPA Exam Updates

The Board aligned with other jurisdictions in allowing exam candidates to sit at 120 credit hours, instead of the 150 credit hours required for licensure.

The Board also made the decision to extend the rolling 18 month testing window to 36 months, which will allow exam candidates additional time to complete all four sections of the exam.

The Way Forward in 2024

The Washington State Board of Accountancy is continuously working to find new opportunities to improve service and maintain our public protection mission.

Pipeline – The accounting profession along with many others, has seen a drop in individuals entering the profession. The Board will continue to review its rules, using the PEAR lens to ensure we do not have unnecessary barriers for entry into the accounting profession and licensure as a CPA.

Mobility- Our profession has worked hard over the last 20 years to have mobility of CPAs, allowing them to work across state borders without undo expense and time required to get a license in every state. Many states are looking at statute and rule changes to confront the pipeline issue. This includes moving the education requirement for licensure from 150 credit hours to 120 credit hours, while adding additional experience in its place. The Board will monitor these changes on a national level to ensure mobility is not affected and will ensure any changes made to Washington State rule does not hinder mobility.

Amending Rules – The Board continues to review and update the rules to be more efficient for applicants, licensees, and consumers. Several rules will be revised to align with the AICPA Code of Professional Conduct, while including Washington-specific exceptions.

CPA Examination – In January 2024, the CPA Evolution initiative will launch. This new model recognizes the changing skills and competencies the practice of accounting requires today and in the future. The CPA exam will still have four sections, but the business section of the exam is now a discipline section. A candidate can choose and pass one of the three separate disciplines, which allows the candidate to further demonstrate their knowledge and skills.

Thank You

Thank you for taking the time to learn more about the Washington State Board of Accountancy. Please visit our website at: <https://acb.wa.gov/>