

# WASHINGTON STATE BOARD OF ACCOUNTANCY

## Minutes of a Meeting of the Board

<b>Time and Place of Meeting</b>	9:00 a.m. – 12:45 p.m. Friday, April 28, 2023 Radisson Hotel Seattle Airport Orcas Room 18118 International Blvd Seattle, WA 98188 or by Microsoft Teams Meeting
<b>Attendance</b>	<u>Board Members</u> Brian R. Thomas, CPA, Chair Mark Hugh, CPA, Vice Chair Kate Dixon, Public Member, Secretary Rajib Doogar, Public Member Jacqueline Meucci, CPA Thomas P. Sawatzki, CPA Brooke Stegmeier, CPA Scott S. Newman, Public Member Tonia L. Campbell, CPA  <u>Staff and Advisors</u> Michael Paquette, CPA, Executive Director Jennifer Sciba, Deputy Director Leo Roinila, Assistant Attorney General, Board Advisor Kirsten Donovan, Board Clerk Kelly Wulfekuhle, Lead Solutions Analyst
<b>Call to Order – Board Meeting</b>	Board Chair, Brian Thomas, CPA called the meeting to order at 9:00 a.m. Board Members and staff introduced themselves.
<b>Public Rule-Making Hearing</b>	The Board held a public rule-making hearing from 9:05 a.m. to 9:07 a.m. The Board Chair presided. The Board proposed to amend: <ul style="list-style-type: none"><li>• WAC 4-30-133 Reporting periods, carry-forward/back, and limitations on continuing professional education (CPE) credit.</li></ul> <p>The proposed revisions change the increments in which CPE is earned to tenths (.1) of hours instead of half-hour (.5) increments after the first hour is earned. Five minutes constitute one-tenth of a CPE hour based on the 50-minutes CPE hour.</p> <p>The Executive Director presented a brief statement on the rule.</p> <p>The Board received one written comment by email regarding the proposed changes. Sarah Blazevic, CPA wrote “I see the board is considering changing this to the nearest tenth and that you are the</p>

contact to comment on this proposed change: I certainly am in favor of it!"

No public input was received during the hearing.

**Call to Order –  
Board Meeting**

The Board Chair called the regular Board meeting back to order at 9:07 a.m.

**Rules Review**

Board Deliberation on Proposed Rules Considered at the Public Rule-making Hearing

- WAC 4-30-133 Reporting periods, carry-forward/back, and limitations on continuing professional education (CPE) credit.

The Board voted unanimously to adopt the rule as proposed.

The Board voted for an implementation date of January 1, 2024.

Rules Review/Discussion

- WAC 4-30-022 What is the board's meeting schedule and how are officers elected?

The Executive Director led the discussion on the proposed changes.

The intent of the proposed changes is to provide guidance for resignations, vacancies, and removal of Board officers and to rename the rule.

Rajib Doogar clarified that the changes are regarding Board officers only.

The Board directed staff to file the CR-102 with minor changes for this proposal and schedule a public rule-making hearing in conjunction with the Board's July meeting.

**Minutes –  
January 27, 2023,  
Board Meeting**

The Board approved the minutes of the January 27, 2023, Board meeting with a minor change in the public input section which deleted the words "on the".

The Board Members attending virtually authorized the use of their electronic signatures 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:

- 2003-1 Safe Harbor Report Language for Use by Non-CPAs
- 2004-1 Administrative Violations Guidelines
- 2015-1 Board Member Travel and Attendance at Group Gatherings
- 2017-1 Investigative and Disciplinary Process
- 2017-2 Publication and Disclosure of Disciplinary Actions
- 2020-2 Public Officials and Public Employees

Mark Hugh mentioned that the Board may want to consider adding the Safe Harbor Language policy to Board Rule, since the policy has been in place for 20 years.

Tom Sawatzki asked if the dollar amounts in Policy 2004-1 were still valid in today's economy. The Executive Director stated he feels they are, but he will take a closer look at it.

Brian Thomas asked that Board staff monitor, through the Board's travel agency correspondence, Board Members' travel to ensure they are in compliance with Policy 2015-1.

The Board voted unanimously to revise the following policy:

- 2020-1 Peer Review

The changes eliminated the requirement for Board review of peer review reports with a pass with deficiency result. One member of the Peer Review Oversight Committee and the Executive Director will review all reports with a fail result.

The Deputy Director stated that after more stringently monitoring the peer review program the Board is comfortable with the program and the policy and monitoring can be rolled back a little.

Mark Hugh provided a quick summary of the peer review program which included:

- AICPA desire to improve audit quality
- Pressure on peer reviewers to decrease documentation errors
- Department of Labor audits
- The Board is not in control of peer review – it is an observer

Tom Neill, CPA, Uniform Accountancy Act (UAA) Committee Chair for the AICPA, added:

- Peer review process has been beefed up for DOL engagements making these audits very difficult
- DOL work fees have gone up substantially
- AICPA process has done a great job of weeding out bad auditors
- Smaller firms are dropping out of the process
- Some auditors are “going underground” and performing audit engagement without reporting the work to Boards of Accountancy or the AICPA

Additional revisions were made beyond those in the draft included in the Board materials. The following language was subsequently removed:

- “In addition, this policy is intended to inform the wider CPA firm community about the Board’s approach to evaluating and responding to the results of peer reviews.” – from the Purpose section on page 1.
- “However”, “as the result of two sequential fails,”, and “If the two sequential fails have the same root cause,” – from the Fails and/or Sequential Fails section on page 2.

### **NASBA Update**

The Executive Director provided a report on NASBA activities:

- Executive Director and Board Staff conference was held February 27 – March 1. Covered topics included:
  - Pipeline issues
  - CPA Exam testing window increase – this topic will be discussed in more detail later in the meeting.
- Upcoming NASBA meetings
  - Eastern Regional Meeting – May 31 - June 2, 2023, Savannah, GA
  - Western Regional Meeting – June 27 – 29, 2023, Kansas City, MO
  - 116<sup>th</sup> Annual Meeting – October 29 – November 1, 2023, New York, NY

### **Legal Counsel’s Report**

Leo Roinila, the Board’s legal counsel, reported on the CPE requirements and CPE extensions.

- CPE requirements contain multiple components – if one is missed during a CPE reporting period, then the CPE requirement is not met
- Individuals are only allowed one CPE extension in any two consecutive CPE reporting periods

- No exceptions are available – if the Board wants to make exceptions, they will need to be done through rule making
- If an individual fails to complete the CPE requirement in back-to-back CPE reporting periods and was granted a CPE extension in the first reporting period, the only option is to apply for license reinstatement after it lapses on July 1

## Chair's Report

### CPA Exam – Extending the Testing Window

The Board Chair and Executive Director led the discussion on extending the CPA Exam testing window. Discussion items included:

- UAA Model Rules Update – NASBA adopted an amendment extending the rolling period for passing all sections of the CPA Exam from 18 months to 30 months
- The Board will need to conduct rule making to change the Exam window
- The Board can set the testing window time to what it sees fit; it does not need to follow NASBA's recommendation
- Our Board does not give extensions to the current 18-month window
- No public harm in extending the testing window – only benefits
- Longer testing windows exist in other professions
- CPE requirement/competency – remaining current while testing
- Pipeline growth – remove barriers
- Consider what is best for the candidates
- Potential administrative issues
- Working individuals in the industry don't become less competent with an extended conditional period

Public input received from:

Tom Neill, CPA: He stated that the AICPA was not informed of NASBA's decision before the amendment was released to the public.

Tom Dingus, CPA: He believes that the window should be a minimum of 36 months but potentially up to 60 months. He brought up the following points regarding NASBA's 30-month window:

- What is the logic? NASBA says that it is in the candidates' best interest to push them to complete the Exam sooner
- Does not impact integrity of the Exam or the profession to have a longer window
- Does not benefit the consumer in any way
- Impacts candidates from different backgrounds
- Barrier to entry to those who need to earn income quickly

Kimberly Scott, WSCPA President and CEO, provided the following:

- WSCPA would recommend the testing window be 36 months or longer
- No extensions are given by the Board, so the longer testing window is needed
- Believes the Board should start the rule making process now
- It has been reported that 8 other state Boards are opening their rules to increase the testing window to 36 months

The Board directed staff to file the CR-101 for WAC 4-30-062, Applying to take the CPA examination, to start the rule-making process.

The Board created the Window Extension Recommendation Committee (WERC). The committee will conduct research and gather information, then provide its recommendation for the testing window length at the July Board meeting.

Committee members are:

- Kate Dixon, Committee Chair, Public Member
- Tonia Campbell, CPA Member
- Brooke Stegmeier, CPA Member
- Mike Paquette, CPA, Executive Director
- Jennifer Sciba, Deputy Director
- Kimberly Scott, WSCPA
- Tom Neill, CPA
- Tom Dingus, CPA

#### Education Requirement – 120 Hours for CPA Licensure

The Board Chair deferred to the Executive Director to lead the discussion on the education requirement for CPA licensure. Discussion items included:

- Pipeline issue – 150-hour requirement is a hindrance and barrier to licensure
- Alternate pathways to CPA – different combinations of education and experience
- UAA could be rewritten to maintain substantial equivalency
- A few jurisdictions put out legislation to make changes this session, but none passed
- NASBA has not addressed the issue with an exposure draft, while the AICPA is having many conversations
- Any changes to the Board's current requirements would require a

- statutory change
- More information will be sought at the NASBA regional meetings and WSCPA events
- Education requirement for CPA licensure will be added as an agenda topic for the July Board meeting.

**Executive Committee**

The Chair reported that the committee met and discussed the meeting agenda.

Brian reminded everyone of the upcoming NASBA regional meeting in Kansas City and suggested attending the New Board Member Orientation to those who have not been to one before.

**Peer Review Oversight Committee (PROC)**

Mark Hugh and the Deputy Director thanked Julie Phipps for her many years of service as the WSCPA Manager of Practice Quality. Julie is retiring on May 1. They acknowledged her hard work and dedication and let her know how much they enjoyed working with her.

Julie stated that she appreciated working with the Board and staff. She said the Board will be in good hands with the Colorado Society of CPAs peer review program.

Mark presented and led the discussion on the Peer Review Alternatives report, the ACB peer review survey results, and the written comments received from survey takers.

- Survey responses showed strong support for a peer review alternative in limited circumstances
- Alternative needs to be more clearly defined
- Alternative would not be Board-administered
- Proposals are being sought from outside entities to run the program

**Request Oversight Committee (ROC)**

Scott Newman reported:

Firm Names: *Approved:*

Advantage Partners  
Chad Partridge Accounting PLLC  
Shoreline Tax Services LLC  
Whatcom Financial LLC  
Weaver CPA Services LLC  
RJI International CPAs  
The Sheriff CPA Services, LLC  
Quattro Tax Services LLC

Professional/Educational Organization – Recognition Requests

During the first quarter 2023, the Board did not receive any requests for recognition of an educational organization for purposes of obtaining list requests.

**Scholarship Oversight Committee (SOC)**

Tonia Campbell presented the Washington CPA Foundation – 2023 Preliminary Scholarship Winner Data report. She reported:

- 50 scholarships were awarded from Board of Accountancy funds:
  - Master’s program (\$10,000/scholarship) – 30
  - Bachelor’s program (\$5,000/scholarship) – 20
- 65% of scholarship winners were female
- 18 colleges represented with at least one scholarship winner
- Diversity of Winners:
  - Asian – 18%
  - Black or African American – 8%
  - Hispanic, Latino, or Spanish Origin – 5%
  - Native Hawaiian or Other Pacific Islander – 4%
  - Other – 10%
  - White – 50%
  - Unknown – 5%

Tonia reported that the WSCPA Annual Meeting will be on June 13.

Kimberly Scott advised that the Scholarship Foundation Meeting will be held on May 12. Board Members and staff are invited; please let her know if you plan to attend. Scholarship winners will be there.

**Board/AICPA Rules Committee (BARC)**

Brooke Stegmeier advised that the BARC is reviewing:

- CPAs using names other than those registered with the Board
  - Dropped the language regarding individual names from the ethics and prohibited practices rule sections when the rules were reconfigured – the section it was in was limited to firms
  - Looking at adding it back into rule in a more logical section, while possibly expanding the allowable use of names
    - Preferred names
    - International individuals using their “American” first name
- Use of title
- Principal place of business
- Acts discreditable



**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 View, and the CPA Scholarship Transfer Account Fund View for transactions through March 31, 2023. The Executive Director reported:

- The agency is financially sound
- For the biennium budget ending June 30, we are underspent by \$247,000
- The accounting fund balance is at \$3.6 million with no fund sweep done in this legislative session.
- A large fund balance is needed:
  - IT upgrades are expensive
  - Enforcement issues may arise that require excessive funds

2022 CPE Audit Results

The Executive Director presented the 2022 CPE Audit Report.

- 291 individuals audited
  - 272 – Passed
  - 8 – Applied for CPE reciprocity
  - 6 – Failed, then CPE extension requests approved
  - 5 – Failed and renewal applications were denied

**Enforcement  
Report**

The Executive Director presented the following reports:

- Quarterly Report – January 1, 2023, through March 31, 2023
- Twelve-Month Lookback – April 1, 2022, through March 31, 2023
- All Complaints – Resolved with and without discipline for periods April 2022 to March 2023 and April 2021 to March 2022.
- CBM Report – January 1, 2023, through March 31, 2023

Mike reported the following on enforcement activities:

- No current big issues
- Complaints are primarily related to:
  - Tax issues
  - Communications/lack of communications
  - Client records

The Deputy Director thanked the Board Members who have served as a CBM for their responsiveness to requests.

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

**Public Input**      The Board received public input throughout the meeting on specific agenda topics.

**Adjournment**      The Board meeting adjourned at 12:45 p.m.

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