

WASHINGTON STATE BOARD OF ACCOUNTANCY

Unapproved Draft - Minutes of a Meeting of the Board – Unapproved Draft

Time and Place of Meeting	9:01 a.m. – 12:47 p.m. Friday, January 26, 2024 Radisson Hotel Seattle Airport San Juan Rooms 2&3 18118 International Blvd Seattle, WA 98188 or by Microsoft Teams Meeting
Attendance	<u>Board Members</u> Kate Dixon, Public Member, Chair Thomas P. Sawatzki, CPA Member, Vice Chair Brooke Stegmeier, CPA Member, Secretary Mark Hugh, CPA Member Rajib Doogar, Public Member Brian R. Thomas, CPA Member Jacqueline Meucci, CPA Member Scott S. Newman, Public Member (not present between 10:00 - 11:00 a.m. - excused) Tonia L. Campbell, CPA Member <u>Staff and Advisors</u> Michael Paquette, CPA, Executive Director Jennifer Sciba, Deputy Director Leo Roinila, Assistant Attorney General, Board Advisor Taylor Shahon, CPA, Lead Investigator Kirsten Donovan, Board Clerk Tia Landry, Data and Systems Administrator
Public Rule-Making Hearing	The Board held a public rule-making hearing from 9:04 a.m. to 9:16 a.m. The Board Chair presided. The Board proposed to amend: <ul style="list-style-type: none">• Rules alignment for CPA-Inactive Legislation Passed<ul style="list-style-type: none">○ WAC 4-30-010 Definitions.○ WAC 4-30-020 What are the authority for and the purpose of the Board’s rules?○ WAC 4-30-028 Rules governing the formal adjudicative proceedings and the brief adjudicative proceedings before the board.○ WAC 4-30-030 What are the requirements for communicating with the board and staff?○ WAC 4-30-032 Do I need to notify the board if I change my address?○ WAC 4-30-034 Must I respond to inquiries from the board?

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- WAC 4-30-036 What enforcement actions must be reported to the board?
- WAC 4-30-038 Fees.
- WAC 4-30-082 How does a CPA-Inactive certificate holder apply for licensure?
- WAC 4-30-084 Converting from certificate to license. (New section)
- WAC 4-30-088 What is the effect on a Washington individual licensee or CPA-inactive certificate holder in the armed forces, reserves, or National Guard if the individual receives orders to deploy for active military duty?
- WAC 4-30-094 How do I renew my individual license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner?
- WAC 4-30-104 How do I renew a Washington CPA-Inactive certificate and/or license granted through foreign reciprocity? (Repealed section)
- WAC 4-30-120 I am a CPA-Inactive certificate holder – Prior to July 1, 2001, I held a license – How do I apply to return to my previous status as a licensee?
- WAC 4-30-122 If I retire my license or CPA-Inactive certificate, how do I apply to renew my license or CPA-Inactive certificate out of retirement?
- WAC 4-30-124 How do I reinstate a lapsed license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner?
- WAC 4-30-126 How do I reinstate a revoked or suspended license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner?
- WAC 4-30-134 Continuing professional education (CPE) requirements.
- WAC 4-30-136 Reporting continuing professional education (CPE) to the board.
- WAC 4-30-142 What are the bases for the board to impose discipline?

The proposed revisions:

- Ensure consistency with the Public Accountancy Act (RCW 18.04) for legislation passed (SB5519) on March 17, 2022, with an effective date of July 1, 2024.
- Remove references to certificate holders.
- Allow 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 fully licensed.

- Create a new inactive license status.
- Align Board rules with other CPA jurisdictions.
- Rename some of the rules.

The Executive Director provided a summary of the proposed rule changes.

No written comments were received, and no public input was received during the hearing.

Call to Order

Board Chair, Kate Dixon, Public Member, called the meeting of the Board to order at 9:16 a.m.

Rules Review

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

- Rules Alignment for CPA-Inactive Certificateholder Legislation
 - WAC 4-30-010 Definitions.
 - WAC 4-30-020 What are the authority for and the purpose of the Board's rules?
 - WAC 4-30-028 Rules governing the formal adjudicative proceedings and the brief adjudicative proceedings before the board.
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The Board considered the Rules as a group and voted unanimously to adopt the rules as proposed.

The Board voted for an effective date of July 1, 2024, consistent with SB 5519.

Semi-annual Rules Development Agenda – January through June 2024

The Executive Director presented the Semi-annual Rules Development agenda filed with the Office of the Code Reviser. All Board Rules listed were for the rules alignment for CPA-Inactive Certificateholder legislation covered at the public rules hearing.

**Minutes –
October 20,
2023, Annual
Board Meeting**

The Board approved the minutes of the October 20, 2023, Annual Board meeting.

The Board Members attending virtually authorized the use of their electronic signatures for the signing of the meeting minutes.

**Minutes –
December 8,
2023, Special
Board Meeting**

The Board approved the minutes of the December 8, 2023, Special Board meeting.

The Board Members attending virtually authorized the use of their electronic signatures for the signing of the meeting minutes.

**Delegations of
Authority**

The Executive Committee and Board staff reviewed the delegations for possible revisions. All delegations were revised for the signature date, and the Board Chair's name and signature.

The Board discussed adding expiration dates to the delegations, but decided against expiration dates. If an annual review could not be completed timely, Board staff would still be able to operate under the existing delegations which do not include expiration dates.

The Board unanimously approved the following delegations for 2024.

- DA-001 Investigations, Subpoenas, Charges, Emergency Action, and Settlement Negotiations
- DA-003 Quality Assurance Oversight
- DA-004 CR-101 Filing

The Board unanimously approved the following delegation for 2024 with a minor edit for an outdated subsection number.

- DA-002 Request Oversight and Appeal of Denials

Chair's Report

The Board Chair reported that the Executive Committee met, and they are expecting and looking forward to a busy year. They appreciate the vote of confidence and support extended to them.

NASBA Update

The Executive Director provided an update on NASBA activities.

Professional Licensing Task Force

The Executive Director presented the NASBA Professional Licensure Task Force Concept Exposure – Equivalent Licensure Model and led the discussion. The NASBA task force is considering a structured experiential learning program.

- The program would provide for education, documented experience, and other elements that would provide an equivalent path to licensure without the need for a fifth year to complete the 150 hours of required education.
- The program would require that the existing baccalaureate degree, accounting hour, and business administration hour requirements be met.
- If implemented, legislative and rule changes would be required in some jurisdictions.
- NASBA will further develop the potential program after receiving feedback.

NASBA's question to the Board and other stakeholders is:

Do you believe that the Professional Licensure Task Force should continue to focus its discussions on an equivalent path to licensure that defines a structured professional program that would qualify an individual for licensure as a CPA?

The deadline date for comments and recommendations is March 31, 2024.

Kimberly Scott, President & CEO, WSCPA, advised that the WSCPA will be responding to NASBA's request for comment with a focus on unintentional bias, decreased expenses, reducing barriers, and the program not addressing a potential change to a 120-hour education requirement.

The Executive Director stated that the Board has important decisions to make in the near future.

- Are we open to this program or other alternate pathways?
- Will we keep our education requirement at 150 hours?
- If we change or if other jurisdictions change, how does this affect substantial equivalency?

He asked that the Board Members weigh in with their thoughts.

Mark Hugh's points included:

- NASBA is the driver of this, but we as well as other jurisdiction Boards have a voice.
- Frustration with being chained to other states through NASBA, mobility, and those in control of the UAA.
- Our concern is Washington citizens and what's best for them.

- Supports a move to 120 hours to roll back the 150-hour requirement, which has existed for the last twenty years.
- The extra educational hours are unnecessary when CPAs are already dedicated to life-long learning through CPE.

Brian Thomas's points included:

- His desire to take a wait and see approach. Would like to see how it plays out nationally rather than taking the lead.
- Agreed with another Board Member that we need to be careful with these decisions.

Scott Newman's points included:

- Other international jurisdictions have already adopted similar pathways – international models: Ireland and Scotland.
- Questions regarding the criteria being considered for NASBA's task force program.
- Believes it is an interesting concept, but the application of the program may be difficult to manage and monitor.

Rajib Doogar's points included:

- Agrees with the practical points.
- States must protect the interests of their citizens.
- Concerned of the potential signal that lowering the standards may not reflect that we are trying to attract the best and the brightest into the profession.
- Economics should not drive this decision.
- Attempt to lower standards for economic reasons.
- Mobility may not survive changes.
- Currently 3-year baccalaureate degree programs are available – where is the line.
- Our Board does not need to follow other jurisdictions.
- The issue is hugely complex, and the wrong decision could lead to the undoing of the profession.
- Expressed caution is needed when making these decisions.

Tonia Campbell's points included:

- The intent is good - reducing barriers is important.
- Managing the program may be problematic.
- Open to alternate pathways, since currently the additional 30 hours of education can be anything.

- Questions if this model is the solution.
- More discussion is needed regarding mobility for those practicing in our state on a temporary basis vs those who are residents.

Brooke Stegmeier's points included:

- NASBA's looking into options is great.
- Would like the education requirement changed to 120 hours.
- Sensitive to others' arguments but is behind a move to 120 hours.

Jackie Meucci's points included:

- Initial reaction is that she is open to the program.
- Re-introduces the apprenticeship model.
- Has concerns on governing the program.
- Is there data supporting that the 150-hour requirement is better than the 120-hour education requirement.

Tom Sawatzki's points included:

- Would like the education requirement changed to 120 hours.
- Encourages NASBA and the AICPA to keep looking into other alternatives.
- Learning on the job provides value, perhaps more value than college courses at times.
- The rubric decided on may not cover everything.
- The competence requirement is still in place, so if a CPA does not have the knowledge to perform an engagement they cannot.
- Forward looking – removes barriers and opens the pipeline.
- Open to further discussion – where do we draw the line.

Kate Dixon's points included:

- Would like the education requirement changed to 120 hours.
- This program helps initially open the pipeline for individuals.
- Individuals then have years to add experience, education, and other contributing factors to their growth in the profession.

Deputy Director, Jennifer Sciba added:

- Mobility issues will arise if jurisdictions adopt different requirements.
- The Oregon Board is considering going to a 120-hour education requirement.
- For a reciprocal license the substantial equivalency method would no longer apply. Other methods of reciprocity may still apply for licensure.
- We will have to consider whether we will allow CPAs from jurisdictions with different requirements for licensure to practice under mobility.

Kimberly Scott, President & CEO, WSCPA, noted that the legislation being considered in the current session will allow for Board Rule changes regarding experience without additional changes to the RCW.

Upcoming Conferences

- 42nd Annual Conference for Executive Directors and Board Staff – March 25-27, 2024, Nashville, TN
- 29th Annual Conference for Board of Accountancy Legal Counsel – March 25-27, 2024, Nashville, TN
- Eastern Regional Meeting – June 4-6, 2024, Louisville, KY
- Western Regional Meeting – June 25-27, 2024, Omaha, NE
- 117th NASBA Annual Meeting – October 27-30, 2024, Orlando, FL

Legal Counsel's Report

Leo Roinila, the Board's legal counsel, reported on:

FinCen Reporting

Beneficial Ownership Information (BOI) report requirements began January 2024. The reports must be filed with Financial Crimes Enforcement Network (FinCen).

We are receiving questions from CPAs as to whether they can file these reports or would it be considered the practice of law. The Board cannot answer this question. A decision will need to come from the Washington State Supreme Court or the federal government.

FinCen has informally said anyone can file. We should wait for an interpretation of law before providing guidance. Currently no granted authority for CPAs exists in the law.

Mark Hugh noted that many firms are electing not to file BOIs because of the risk and uncertainty surrounding the issue.

Kimberly Scott advised the WSCPA is responding to inquiries by advising the CPA check with their insurance carrier to see if they will be covered.

Executive Committee

The Chair reported that the committee has begun organizing for the year.

Peer Review Oversight Committee (PROC)

Mark Hugh presented the Peer Review Waiver Pilot Program report. The peer review waiver program is intended for Washington firms who only provide compilation services for Washington clients.

Mark reported that the committee:

- Fleshed out program requirements.
- Plans to engage with firms/focus groups to get feedback to see if there is an interest in this program.
- Will begin a multi-year pilot program if a positive response is received.

The PROC envisions the program requirements will include:

- Professional liability insurance.
- Prequalification through specified CPE.
- Continuing competency through specified CPE.
- Annual reporting to the Board.
- Triennial review by the Board.
- Annual participation fees.

Tom Sawatzki thanked Mark for his work in putting together the committee's report.

Mark mentioned that the committee members are seeking feedback from Board Members who are not on the committee.

Board Member discussion topics included:

- Additional CPE requirements for those in the program.
- Prequalification to garner this exception.
- Self-study CPE not qualifying.

**Request
Oversight
Committee
(ROC)**

Tonia Campbell reported on the 4th quarter 2023 approval and denials from the committee:

Firm Names: Approved:

Madrona Financial & CPAs
Safstrom CPAs & Advisors, PLLC
Eastside Tax PLLC
Kofmehl Associates LLC
RJI Ramirez Jimenez International CPA's
SingerLewak LLP
The Akopyan Group, CPAs P.S.
In Balance CPA Group PLLC
In the Know CPA PLLC

Professional/Educational Organization - Recognition Requests:

During the 4th quarter 2023, the Board received requests for recognition as an educational organization for purposes of obtaining list requests from the following:

Becker Professional Education – Approved
IRG Publications – Approved

The Executive Director stated that a shift has occurred in firm names.

- Formerly firm names usually included the owner's name – prestige with CPA name in firm name.
- Currently firm names are turning more towards marketing names – CPAs do not want their name attached to the firm in case of a sale of the firm.

The committee will present a report at the April Board meeting on the potential impact of revising firm naming conventions in the Board Rules.

**Scholarship
Oversight
Committee
(SOC)**

Tonia Campbell presented the Accounting of Receipts and Disbursements WSCPA Scholarship Program for the Program Year Ending September 30, 2023, report, and the WBOA Certified Public Accounting Scholarships report. Tonia advised:

- \$400,000 in scholarships awarded from Board funds.

- Recognized the WSCPA and Monette Anderson for the great work they do with this program.
- February 14, 2024, is the scholarship application deadline.
- 75 volunteers are completing application review.

Kimberly Scott, WSCPA President and CEO, advised:

- The Foundation awarded \$550,000 in scholarships overall. This included \$2,000 scholarships at the associate degree level.
- The Board's scholarship fund balance is \$1,980,000 thanks to a good market.
- Scholarships are merit and passion based.
- A minimum of 6 reviewers assess each application with the goal of eliminating bias as much as possible.
- The WSCPA works with every college and university, but a passionate educator typically drives some schools to have more applicants and thus more scholarship winners.
- The Foundation reception for this year's scholarship winners is May 17, 2024. Board Members and staff are invited to attend.

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

Brooke Stegmeier presented the January 2024 BARC report. The report included:

Combination of ARC and BARC – Mark will cover later in the ARC report.

Corporate Transparency Act – Covered by Leo in the Legal Counsel report. Kimberly Scott added the WSCPA asked the Washington State Supreme Court to rule on this issue, but they declined until a case is before them.

ESOP Ownership – No further information available.

NASBA Professional Licensure Task Force – Discussed in the Executive Director's report. More discussion is needed.

**Licensing and
Regulation
Committee
(LARC)**

The Executive Director reported, if passed, current legislation will lead to many Board Rule changes. The LARC is looking at the affected rules and other rules related to licensing. The committee is meeting quarterly for now.

**Administrative
Rules
Clarification**

Mark Hugh presented the January 2024 ARC report. The task force met once and decided, since the committee members were all the same, the BARC would take over as a "special project" the

**Task Force
(ARC)**

Board Rules review. The BARC will bring a road map of the proposed rule changes to the April Board meeting.

The ARC Task Force was dissolved.

**Executive
Director's
Report**

The Executive Director reported on the following:

Budget Status

- The Board's Senior Financial Consultant/Budget Analyst, Paul Bitar, left his position, and the Board has been assigned a new Senior Financial Consultant, Ian Shelley.
- The Board is in a financially fit position.
- For the next biennium's budget, we expect that the Board will need to draw on its fund balance.
- A decision package has been submitted for \$300,000 to cover an increase in IT license fees. This request is for an allocation/spending authority of our existing funds.

Pro Equity Anti Racism (PEAR) Update

The Executive Director reported:

- The Board now has a complete PEAR team consisting of 2 Board Members, 5 staff members, and 4 public members.
- The first meeting of the full team was held this month.
- The meeting was a review of work completed by the internal team and thoughts and ideas from the complete team for moving forward.

Legislative Session

The Executive Director reported:

- HB1920 and SB 5887, which are mirror bills, were the first bills to go before committees.
- The WSCPA filed the bills for legislation. The changes include amending the experience requirement language to be determined by the Board. This allows the Board to set the requirements in Board Rule, as is currently done with the education and examination requirements. Additional changes cleaned up existing language.
- The Executive Director and Lisa Thatcher, WSCPA lobbyist, testified before the committees. The committee members had no questions.
- Both bills passed.

- We are waiting for the bills to be scheduled for the full House and Senate.
- If passed, one of the bills will be dropped and the remaining bill will go to the Governor's office.

Enforcement Report

Enforcement Reports:

Taylor Shahon, CPA, Lead Investigator, presented:

- Quarterly Enforcement Report for October 1, 2023, through December 31, 2023
- Twelve-Month Lookback Report for January 1, 2023, through December 31, 2023
- Resolved Complaint Report for periods January 2023 through December 2023 and January 2022 through December 2022
- CBM Report for October 1, 2023, through December 31, 2023

Taylor reported on the following enforcement activities:

- Currently, the Board has 16 open complaints.
- Complaints are primarily records and communications issues.
- We are receiving fewer complaints, as the new complaint form:
 - Filters out complaints that are not under our jurisdiction.
 - Sets realistic expectations of what authority we have and the possible results of the complaint. For example, we are not able to set a sanction requiring repayment/payment to the complainant.
- The complaints web page is revised as needed according to customer inquiries.

The Board asked Taylor to look at the complaint vs license population for other Boards, and then report the results at the next Board meeting.

Additionally, Taylor will show and report on the enforcement section of the website.

Public Input

The Board received no public input.

Executive and/or Closed Session with Legal Counsel A Board held a closed session for the deliberation of a proposed Consent Order. The session time was from 12:01-12:47 p.m.

Adjournment The Board meeting adjourned at 12:47 p.m.

Board Member

Board Member

Board Member

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