

WASHINGTON STATE BOARD OF ACCOUNTANCY
Minutes of a Meeting of the Board

Time and Place of Meeting	9:01 a.m. – 12:30 p.m. Friday, January 27, 2023 Radisson Hotel Seattle Airport Orcas Room 18118 International Blvd Seattle, WA 98188 or by Microsoft Teams Meeting
Attendance	<u>Board Members</u> Brian R. Thomas, CPA Member, Chair Mark Hugh, CPA Member, Vice Chair Kate Dixon, Public Member, Secretary Rajib Doogar, Public Member Jacqueline Meucci, CPA Member Thomas P. Sawatzki, CPA Member Brooke Stegmeier, CPA Member Scott S. Newman, Public Member 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	<p>The Board held a public rule-making hearing from 9:05 a.m. to 9:24 a.m. The Board Chair presided. The Board proposed to amend:</p> <ul style="list-style-type: none">• WAC 4-30-010 Definitions <p>The proposed changes add a definition for Professional Services and eliminate definitions that are no longer needed.</p> <p>The Executive Director presented a brief statement on the rule.</p> <p>The Board did not receive any written comments or public input regarding the proposed rule changes.</p> <ul style="list-style-type: none">• Ethics and Prohibited Practices Rules<ul style="list-style-type: none">○ WAC 4-30-040 What are the requirements concerning integrity and objectivity?○ WAC 4-30-042 When is independence required?

- WAC 4-30-044 What restrictions govern commissions, referral, and contingent fees?
- WAC 4-30-045 Commission and referral fees. (New rule)
- WAC 4-30-046 What are the requirements concerning competence?
- WAC 4-30-048 Compliance is required with which rules, regulations and professional standards?
- WAC 4-30-049 Accounting principles. (New rule)
- WAC 4-30-050 Records and clients confidential information.
- WAC 4-30-052 What acts are considered discreditable?
- WAC 4-30-054 What are the limitations on advertising and other forms of solicitation?
- WAC 4-30-056 What are the limitations regarding individual and firm names?
- WAC 4-30-058 Does the board authorize the use of any other titles or designations?

The proposed changes:

- Simplify the rules by paralleling the rules with the AICPA Code of Professional Conduct (ACIPA Code) and specifically listing any exceptions to the AICPA Code
- Rename the rules (with the exception of WAC 4-30-050)
- Repeal one rule, WAC 4-30-051, as the information contained in this rule was added to another rule within the ethics and prohibited practice rule section
- Adopt two new rules, WAC 4-30-045 and 4-30-049, to reorganize the ethics and prohibited practices rule sections for clarity

The Executive Director presented a brief statement on the rules.

The Board received written comment from Mark Hugh regarding the client record proposed rule changes. Mark read his comments for Board consideration. He is in support of the rule changes as he believes they are in the best interests of both the profession and the public.

No public input was received during the hearing.

- WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination?

The proposed changes reduce the number of college credits required to sit for the CPA Exam from 150 semester credits (225

quarter credits) to 120 semester credits (180 quarter credits) and rename the rule.

The Executive Director presented a brief statement on the rule.

The Board received written comments from two individuals. Jennifer Sciba read the comments for Board consideration.

Steve Jankowiak, CPA, emailed in support of the rule change initially. His email indicated that he believed that the change would be for the education requirement for licensure as well. After receiving clarification from Board staff, he stated he believes that the rule changes are a step in the right direction, but do not go far enough. He would like for the education requirement for licensure to be reduced as well.

Gregory Railsback, CPA, emailed in support of the rule change initially. His email indicated that he believed that the change would be for the education requirement for licensure as well. After receiving clarification from Board staff, he stated he does not believe that the proposed changes accomplish anything of substance and withdrew his support of the rule change. He would like to see the education required for licensure to be reduced to 120 hours.

No public input was received during the hearing.

Call to Order

Board Chair, Brian Thomas, CPA, called the meeting of the Board to order at 9:25 a.m.

Rules Review

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

- WAC 4-30-010 Definitions

The Board voted unanimously to adopt the rule as proposed.

The Board voted for an implementation date 31 days after filing.

Ethics and Prohibited Practices Rules

- WAC 4-30-040 What are the requirements concerning integrity and objectivity?
- WAC 4-30-042 When is independence required?
- WAC 4-30-044 What restrictions govern commissions,

- referral, and contingent fees?
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The Board voted to adopt the rules as proposed with 8 affirmative votes and one abstention.

The Board voted for an implementation date 31 days after filing.

- WAC 4-30-051 Client records.

The Board voted to repeal the rule as proposed with 8 affirmative votes and one abstention.

The Board voted for an implementation date 31 days after filing.

- WAC 4-30-060 What are the education requirements to qualify to apply for the CPA examination?

The Board voted unanimously to adopt the rule as proposed.

The Board voted for an implementation date of April 1, 2023.

Tom Sawatzki requested statistics be gathered regarding the number of candidates who sit for the Exam with the 120-hour education requirement versus the number who sat with the 150-hour education requirement.

Semi-annual Rules Development Agenda – January through June 2023

The Executive Director presented the Semi-annual Rules Development agenda filed with the Office of the Code Reviser.

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

The Executive Director led the discussion on the proposed changes.

The proposed changes will reduce the increments in which CPE credit is earned. With the change, CPE credit will be earned in tenths (.1) of hours after the first hour is earned instead of half-hour (.5) increments after the first hour is earned. Five minutes will constitute one-tenth of a CPE hour based on the 50-minute CPE hour.

Discussion topics included:

- Concerns regarding less CPE being completed when increments in which CPE is earned is decreased
- Financial barrier of lost CPE credit when rounding down to the nearest half hour instead of tenths of an hour
- Time constraints for completing CPE at different times of a CPA's career
- CPE specific to career field/work being completed vs broad competency

The Board directed staff to file the CR-102 as written for this proposal and schedule a public rule-making hearing in conjunction with the Board's April meeting. The vote was 8 affirmative and one abstention.

**Minutes –
October 28,
2022, Annual
Board Meeting**

The Board approved the minutes of the October 28, 2022, Annual Board meeting.

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

**Delegations of
Authority**

Board staff reviewed and proposed no revisions to the delegations other than the Board Chair's name, date, and signature of the Board Chair.

The Board unanimously approved the following delegations for 2023.

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

The Board approved the following delegation for 2023 with a minor edit which changed “Executive Director” to “Request Oversight Committee” for reporting committee appeals and denials at the Board meetings.

- DA-002 Request Oversight and Appeal of Denials

Chair’s Report

Brian Thomas reported 2023 will be the CPA Evolution sprint lap with emergent decisional matters occurring.

Board Officers and Board Governance

Mark Hugh presented the Executive Committee’s Board Officers and Governance report. Mark led the discussion on proposed changes to WAC 4-30-022, What is the board’s meeting schedule and how are officers elected? Suggested additions regarding officer management include:

- Resignation of an officer position
- Filling an officer position vacancy
- Removal from an officer position

The discussion primarily related to the removal of an officer. A suggested change from the report language is that a super-majority (67%) vote of a quorum will be required for the removal of an officer from their position rather than a simple majority vote.

The Board voted unanimously to file the CR-101 to begin the rule-making process.

A draft of the rule will be included as a discussion topic at the April Board meeting.

NASBA Update

The Executive Director reported that the 115th NASBA Annual Meeting was held October 30 through November 2, 2022, in San Diego. Topics included:

- NASBA 2023 meeting schedule

Minutes, January 27, 2023, Board Meeting

- 41st Annual Conference for Executive Directors and Board staff – February 27 - March 1 in Tucson, AZ
- Eastern Regional meeting – May 31 – June 2 in Savannah, GA
- Western Regional meeting – June 27-29 in Kansas City, MO
- 116th Annual meeting – October 29 – November 1 in New York, NY
- CPA pipeline issues
- Possible changes to the 18-month window for passing all sections of the CPA Exam

Mark recommended to Board Members if they are only able to attend one meeting during the year that they should go to the regional meeting. Mark and Jennifer suggested that if they have not attended a new Board Member orientation at a regional meeting, they should do so even if they have been on the Board for a couple years.

Tom Neill, CPA, Uniform Accountancy Act (UAA) Committee Chair for the AICPA, provided an update on upcoming committee activities:

- Principal place of business definition
- Confidential information modification to the Model Act – our Board is in a good place for NOCLAR
- Changes in education requirements to qualify for CPA licensure
 - Multiple pathways to licensure possible with different combinations of education and experience
 - 3 Boards (MN, SC, and AR) already have bills in legislation to make changes
 - NASBA and the AICPA are against making changes right now – would like to get new Exam in place first
 - Firms and students under a lot of pressure
- Barriers to entry – differences in requirements from jurisdiction to jurisdiction
 - Education
 - Experience
 - Portfolio
 - Letters of reference
 - AICPA ethics
- Board Member turnover

Michael Decker, AICPA Vice President, Examinations and Pipeline, provided the following:

- 18-month window to pass all CPA Exam sections
 - Supporting figures for extending the window
 - 1,000 candidates drop out of the pipeline annually after passing 3-4 sections of the Exam
 - 2,000 candidates drop out of the pipeline annually after passing 2 sections of the Exam

Legal Counsel's Report

Leo Roinila, the Board's legal counsel, provided training on the Open Public Meetings Act (OPMA). Topics included:

- Actions taken and deliberations conducted openly
- Public remains informed and can participate
- Meetings require a quorum of Board Members
- Executive sessions can be held under limited circumstances
- Penalties for violating the OPMA

Executive Committee

The Chair reported that everything discussed for immediate action has been included elsewhere on the board meeting agenda.

Peer Review Oversight Committee (PROC)

Mark Hugh presented the Peer Review Alternatives report. Committee activities included:

- Peer review training completed – the training is available for other Board Members if they wish
- Unable to find other program options to AICPA peer review program from review of other state Boards
- Next step for the PROC is to survey licensees to see if a peer review alternative for smaller firms in smaller markets who are only performing compilation services is needed

Julie Phipps, WSCPA Manager of Practice Quality, advised that if any CPA in a firm is a member of the AICPA then AICPA peer review would be required by the AICPA.

Request Oversight Committee (ROC)

Tom Sawatzki reported on the 4th quarter 2022 approval and denials from the committee:

Firm Names: *Approved:*

Balance Accounting Group, LLC
Strait Accounting PS
Mindfully Smart Finance

Professional/Educational Organization - Recognition Requests:
During the 4th quarter 2022, the Board received no requests for recognition as an educational organization for purposes of obtaining list requests.

Scholarship Oversight Committee (SOC)

Tonia Campbell presented the Accounting of Receipts and Disbursements WSCPA Scholarship Program for the Program Year Ending September 30, 2022, report, the WBOA Certified Public Accounting Scholarships report, and the investment report, UBS Client Review. Tonia advised:

- February 14, 2023 is the scholarship application deadline
- WSCPA is recruiting application reviewers

Kimberly Scott, WSCPA President and CEO, advised the scholarship winners listed in the report were from Spring 2022 with the scholarship funds disbursed in Fall 2022.

The Foundation reception for this year's scholarship winners is May 12, 2023.

Board/AICPA Rules Committee (BARC)

Brooke Stegmeier presented the BARC report, Proposed AICPA Standards. The BARC reviewed three proposed new Statements on Standards for Tax Services (SSTS) related to the following:

- Data protection
- Reliance on tools
- Representation of tax clients before taxing authorities

The BARC determined that the proposed standards, as written, do not affect Board Rules. If the final standards are revised in a way that does affect Board Rules, the BARC will advise the Board.

Executive Director's Report

The Executive Director reported on the following:

Budget Status

- \$500,000 positive variance over the last two quarters
- Expenditures expected to increase now with travel and in person Board meeting expenses
- \$3.4 million fund balance
- New budget report format is in the works for the next Board meeting
- No known fund sweep in the works

Legislation Session Update

Nothing affecting the Board is in this session.

Staff Update

- Board staff is now 10 employees
- The Licensing Specialist resigned – Communications Consultant, Isaac Ross, moved into the Licensing Specialist position
- Tim Taylor was hired as a Customer Service Specialist – he will be the main point of contact on the phones and emails
- Kira Leingang was hired in a temporary position for the renewal period to assist operations staff

CPE Tracker – CPE Summary Upload Feature

The CPE Summary Upload feature has been implemented in the CPE Tracker. Individuals can now add their CPE to the Tracker through a CSV file template provided by the Board. The Summary Upload option has been well received with lots of positive feedback.

The option to individually add courses is still in place as well.

Enforcement Report

Enforcement Reports:

Taylor Shahon, CPA, Lead Investigator, presented:

- Quarterly Enforcement Report for October 1, 2022, through December 31, 2022
- Twelve-Month Lookback Report for January 1, 2022, through December 31, 2022
- Resolved Complaint Report for periods January 2022 through December 2022 and January 2021 through December 2021
- CBM Report for October 1, 2022, through December 31, 2022

Taylor reported on the following enforcement activities:

- Quiet quarter – CPAs are doing a good job
- Complaints primarily concern communication issues and IRS delays
- Thank you to all consulting Board Members (CBMs)

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

No executive or closed sessions with legal counsel were held.

Public Input

The Board received input from the following individuals:

Kimberly Scott thanked the Board for implementing the CPE Tracker Summary upload feature and for changing the education rule to a 120-hour requirement to sit for the CPA Exam.

Kimberly asked the Board to consider opening WAC 4-30-062(5)(b), Applying to take the CPA examination, to extend the testing window to complete all sections of the Exam. Kimberly advised the following:

- Change to the 18-month rule should not affect substantial equivalency
- May bring more CPAs into the profession which may alleviate firm staffing shortages
- Removes Exam candidate barriers
- 18-month window may be biased against women and cultural backgrounds
- Other professions have a much longer window to pass their professional examination
- 18-month timeframe is arbitrary
- Would like to see a 36-month or even 60-month timeframe

Kimberly advised NASBA would like changes to come after the new Exam is implemented; however, she would like the Board to consider the changes sooner.

Tom Neill, CPA advised the Board that in his conversations with other professionals a 36-month CPA Exam testing window seems to be the preference. He is not opposed to a 60-month testing window.

Tom thanked the BARC for their work on the Ethics and Prohibited Practices Rule sections. Now CPAs have one set of rules from which to look.

Tom asked the Board to add information regarding the three proposed new Statements on Standards for Tax Services (SSTS) to correspondence with CPAs.

Laurie Tish, CPA, provided background from her time on the Board when the 150-hour education rule for licensure was implemented in July 2000. The thoughts and ideas at the time were:

- Learned profession requires education beyond a bachelor's degree
- Many individuals already had that much education
- 30 extra hours allowed for a more balanced education
- Offers line of defense against current push for anti-regulation
- Recommended reversion to 120 hours is misplaced blame on the pipeline issue

Laurie stated that more dialogue needs to happen to make a decision regarding reducing the education hours required to qualify for CPA licensure.

Laurie also stated that more dialogue is needed regarding the 18-month CPA Exam testing window. She would like to see a 60-month window.

Jeremy Saladino, WAATP, added through the Teams chat "I can tell you that WAATP has a number of members that are Enrolled Agents that dropped off the CPA path because of various testing issues. These are now small business owners and many of them Women some of those Women of Color. And they are speaking to younger candidates about the path they took."

Adjournment

The Board meeting adjourned at 12:30 p.m.

Board Member

Board Member

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