

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of an Annual Meeting of the Board

Time and Place of Meeting	9:00 a.m. – 1:00 p.m. Friday, October 28, 2022 Hybrid Meeting (In person and virtual) In person: Capital Event Center Chehalis A & B Rooms 6005 Tye Drive SW Tumwater, WA 98512 Virtual: Microsoft Teams Meeting
Attendance	<u>Board Members</u> Rajib Doogar, Chair, Public Member Brooke Stegmeier, Vice Chair, CPA Member Jacqueline Meucci, Secretary, CPA Member Mark Hugh, CPA Member Brian R. Thomas, CPA Member Kate Dixon, Public Member Thomas P. Sawatzki, CPA Member Scott S. Newman, Public Member <u>Staff and Advisors</u> Michael Paquette, CPA, Executive Director Jennifer Sciba, Deputy Director Taylor Shahon, CPA, Lead Investigator Leo Roinila, Assistant Attorney General, Board Advisor Kirsten Donovan, Board Clerk Tia Landry, Data and Systems Administrator The Board Chair excused the absence of Tonia L. Campbell, CPA Member.
Call to Order	Board Chair, Rajib Doogar, called the annual meeting of the Board to order at 9:00 a.m.
Minutes – July 29, 2022, Board Meeting	The Board approved the minutes of the July 29, 2022, Board meeting as presented. The Board Members attending virtually authorized the use of their electronic signatures on file at the Board office for the signing of the meeting minutes.
Board Orientation	Mark Hugh reported on the newly developed Board Member training. An experienced Board Member will conduct this training for newly appointed Board Members. This training will be in addition to current training already done by Board staff.

A focus group of Board Members participated in the training and provided feedback to Mark. All thought the training was well put together and will be very helpful to new Board Members.

The Board Chair called for a motion of appreciation for Mark's efforts in developing the training. All Board Members agreed and thanked Mark.

Chair's Report

Election of 2023 Officers – The Board Chair presented the following slate of officers to serve in 2023:

- Chair – Brian Thomas, CPA Member
- Vice Chair – Mark Hugh, CPA Member
- Secretary – Kate Dixon, Public Member

No other nominations were made. The Board cast a unanimous vote for the slate of officers presented.

The newly elected officers will assume their duties on January 1, 2023.

2023 Board Meeting Schedule – The Board established the following schedule for the 2023 Board meetings:

- January 27, 2023 – Radisson Hotel Seattle Airport, Seattle
- April 28, 2023 – Radisson Hotel Seattle Airport, Seattle
- July 21, 2023 – Holiday Inn Express & Suites, Pasco
- October 20, 2023 – Capital Event Center, Tumwater

The meetings will be held as hybrid meetings with the options to attend in person or virtually through Microsoft Teams.

Committee Appointments for 2023

The Board made the following committee appointments for 2023:

- Peer Review Oversight Committee (PROC)
Chair:
Mark Hugh, CPA Member
Members:
Brooke Stegmeier, CPA Member
Tom Sawatzki, CPA Member
Kate Dixon, Public Member
Non-Board Volunteers:
Robert Loe, CPA
Laura Lindal, CPA

Tom Neill, CPA

- Request Oversight Committee (ROC)
Chair:
Scott Newman, Public Member
Members:
Rajib Doogar, Public Member
Tonia Campbell, CPA Member
- Scholarship Oversight Committee (SOC)
Chair:
Tonia Campbell, CPA Member
Members:
Kate Dixon, Public Member
Jackie Meucci, CPA Member
- Board/AICPA Rules Committee (BARC)
Chair:
Brooke Stegmeier, CPA Member
Members:
Brian Thomas, CPA Member
Mark Hugh, CPA Member

The Board/AICPA Rules Clarification Task Force (BARC) was made into the standing committee, Board/AICPA Rules Committee (BARC). The BARC will monitor changes in the AICPA Code of Professional Conduct and determine if those changes affect Board Rules.

Rules Review

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

The Executive Director led the discussion on the proposed changes.

The changes will reduce the education requirement to sit for the CPA Exam from 150 semester hours to 120 semester hours of college credits. The education requirement for CPA licensure will remain at 150 hours.

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 January meeting.

NASBA Update

The Executive Director reported on the following NASBA activities:

- Upcoming 115th NASBA Annual meeting in San Diego, CA

with expected discussions on:

- CPA Pipeline
- CPA Evolution
- Diversity initiative

At the NASBA Western Regional meeting in June, Brian Thomas was elected as the Pacific Region's representative to serve on the NASBA Nominating Committee. The committee's charge is to nominate officers and directors in accordance with NASBA's Bylaws.

The Board Chair thanked Brian for his participation on the committee.

Legal Counsel's Report

Leo Roinila, the Board's legal counsel, reported on the rule-making process, which is detailed in the RCW 34.05, Administrative Procedures Act and WAC 1-1-21, Office of the Code Reviser, Rule making.

Executive Director's Report

Budget Status

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 through September 30, 2022.

The budget is in good shape financially with a projected underspending of \$250,000 for the agency for the biennium.

IT expenses have gone way up with annual licensed software fees now being normal rather than purchasing it outright.

Pro-Equity Anti-Racism (PEAR) Plan

The Executive Director presented and reported on the Board's 2022 PEAR Strategic Action Plan filed with the Office of Equity. The Governor's Executive Order 22-04 outlines the PEAR reporting requirements for all state agencies.

Board Members, Rajib Doogar and Tonia Campbell, joined staff members on the PEAR team to complete the Strategic Action Plan. Rajib commented that he thoroughly enjoyed working with the staff on this hard but rewarding project.

The Board has added a PEAR page to the website. The next steps will be to get more community involvement as the agency moves forward with implementing the current plan and creating new plans.

Board Members thanked the PEAR Team for their hard work.

Residency of Washington Licensees

The Executive Director presented the 2022 Residency of Washington Licensees report. The overall total of licensees has grown; however, the number of resident licensees has decreased, while out-of-state and international licensee numbers have increased.

The Executive Director thanked Mark Hugh for putting the information and report together.

Continuing Professional Education (CPE)

The Executive Director and Deputy Director led the discussion on potential changes to allowable CPE credit increments.

Board Members primarily discussed three options:

- No changes to the rule
- CPE allowed in 5-minute (.1) increments after the first hour is earned
- CPE allowed in 10-minute (.2) increments after the first hour is earned

The Board took a vote on 5-minute (.1) increments which passed (6 – Yay and 2 – Nay).

The Board directed staff to begin the rule making process by filing the CR-101. Proposed changes will allow CPE credit increments in tenths of hours (.1) after the first CPE credit hour is earned instead of half hours. Five minutes will constitute one-tenth of a CPE hour based on the 50-minute CPE hour.

Board Staff

All Board staff attends the Board's Annual meeting each year. Staff not directly involved in the meeting introduced themselves.

- Lori Mickelson – Chief Administration Officer
- Kelly Wulfekuhle – Lead Solutions Analyst
- Anthony Manfre – Licensing Specialist
- Isaac Ross – Communication Consultant

The Executive Director, Deputy Director, and Board Members expressed their appreciation for all staff and the great work they do.

The Board Chair welcomed new Executive Director to the agency.

**Executive
Committee**

The Board Chair reported that the committee members met by Teams meeting and discussed the meeting agenda.

**Peer Review
Oversight
Committee
(PROC)**

Mark Hugh presented the 2022 Quality Assurance Review (QAR) Results report and the PROC report on peer review alternatives.

Mark provided background on the peer review process and issues:

- Peer review ensures the dependability of financial information
- Each firm issuing reports must have another firm review a report during their peer review cycle for meeting AICPA standards
- AICPA standards have become more restrictive to increase quality of reporting
- Smaller firms are leaving the peer review market due to increased costs associated with peer review and more restrictive reporting standards
- Consumers are losing access to CPA firms willing to do audits in smaller markets
- Lack of peer reviewers is creating consumer protection issues

The PROC is looking into a possible alternative to the AICPA peer review program. They are exploring an alternate option for small Washington firms who do reviews or compilations for Washington State clients only. Board Members and others brought up these issues for the PROC to look into:

- Will this cause a firm mobility issue?
- What would be considered a small firm?
- Will professional liability insurance be required?
- Are other Boards doing this?
- Can we right size the evaluation while maintaining professional standards?
- What are other professions doing?

The PROC will spend the next year or so researching this alternative.

**Request
Oversight
Committee
(ROC)**

Tom Sawatzki reported on the 3rd quarter 2022 approval and denials from the committee:

Approved Firm Names:

Accelerate Wealth CPAs, PLLC
WithumSmith+Brown
Friedman LLP

Professional/Educational Organization - Recognition Requests

During the 3rd quarter 2022, the Board received no requests for recognition as an educational organization for purposes of obtaining list requests.

**Scholarship
Oversight
Committee
(SOC)**

Kate Dixon presented the following reports:

- Projected Fund Balance – Washington State Certified Public Accounting Scholarship Program – for the Year Ending September 30, 2023
- Estimated Expenses for Administering the WA Certified Public Accounting Scholarship Program for the Year Ending September 30, 2023

Kate turned to Kimberly Scott, WSCPA President & CEO, for a report on the scholarship fund. Kimberly announced that Monette Anderson was appointed Executive Director of the Washington CPA Foundation. Kimberly provided background for the scholarship fund:

- Legislation passed in 2013 for Board funds to transfer to the Washington CPA Foundation for the purpose of providing scholarships to accounting students enrolled in Washington colleges or universities
- Program started with first scholarships awarded in 2014
- Contract is for 20 years
- Initially the fund balance did not decrease as investment earnings were strong
- Now the fund balance is decreasing as scholarship amounts and numbers have been increased and investment earnings have not been as strong

The Board Chair asked that the SOC be provided with a copy of the investment reports for review. Kimberly will provide the report for the January Board meeting.

**Board/AICPA
Rules
Clarification
Task Force
(BARC)**

Mark Hugh presented the proposed rule language and reported on the outstanding fees survey results. The rule changes are meant to reorganize and make the rules clear. The CPAs who responded to the survey were strongly in favor of the AICPA rule which allows a CPA to withhold work papers for outstanding fees. The draft includes this change.

Board Members discussed this change at length, then voted to move forward with the rule changes as written (6 – Yay; 1 – Nay; and 1 – Abstain).

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 January meeting.

Enforcement Report

Enforcement Reports

Taylor Shahon, CPA, Lead Investigator, presented:

- Quarterly Enforcement Report for July 1, 2022, through September 30, 2022
- Twelve-Month Lookback Report for October 1, 2021, through September 30, 2022
- Resolved Complaint Report for periods October 2021 through September 2022 and October 2020 through September 2021
- CBM Report for July 1, 2022, through September 30, 2022

Taylor reported the following on enforcement activities:

- Working with the new Executive Director, Mike Paquette, has been great
- Majority of recent complaints have been on CPAs not responding to clients
- Investigation pages of website have been revised
- WAC 4-30-140 will be mailed with complaint letters
- Caseload is currently at 13 cases
- Typically, more complaints are filed in April, September, and October, which corresponds with tax deadlines

Executive and/or Closed Sessions with Legal Counsel

No executive or closed sessions with legal counsel held.

Public Input

Jeremy Saladino of the Washington Association of Accounting and Tax Professionals (WAATP) asked that WAATP be added to the list of Board allies within the New Board Member training materials.

The training will be updated.

Adjournment

The meeting adjourned at 1:00 p.m.

Secretary

Vice Chair

Member

Member

Member

Member

Member

Member