

WASHINGTON STATE BOARD OF ACCOUNTANCY

SPECIAL BOARD MEETING AGENDA

Date, Time: Tuesday, July 28, 2009 – Special Board Meeting – 8:00 a.m.
Location: The Doubletree Hotel Seattle Airport
 Evergreen Rooms 1 and 2
 18740 International Boulevard, SeaTac, Washington (206) 246-8600
Notices: 9:00 a.m. Rules Hearing
 9:30 a.m. – 4:30 p.m. Adjudicative Hearing on Whether to Vacate SAO ACB-964

Chair Introductions/Special Notices

SPECIAL MEETING AGENDA – 8:00 a.m.

Attachments at tab:

1. Consent Agenda
 - a. Minutes
 - i. April 21, 2009, Regular Board MeetingA
 - ii. July 1, 2009, Special Board MeetingB
 - b. Request Review Committee Report – Robin Clark, CPA, ChairC
2. Board Action on Default Orders
 - a. ACB-1143 – Charles F. BentonD
 - b. Other
3. NASBA
 - a. Forum of International RegulatorsE
 - b. UpdateF
4. California Board of Accountancy Request for ResponseG
5. Mobility Issues
 - a. Practice Privilege Issues
 - b. Firm Licensing
6. Legal Counsel’s Report
7. Chair’s Report
8. Committee Reports
 - a. Compliance Assurance Oversight – Fred Shanafelt, CPA, Chair – *Update*
 - b. CPA Exam Liaison - Robin A. Clark, CPA – *Update*
 - c. CPE – Ronald Sabado, CPA, Chair - *No Report*
 - d. Education Rule Review – Ronald Sabado, CPA, Chair – *No Report*
 - e. Legislative Liaison – Edwin Jolicoeur, CPA, Chair – *No Report*
 - f. Outreach – Ronald Sabado, CPA, Chair – *No Report*
 - g. Quality Assurance Review (QAR) – Mark W. Pearson, CPA, Co-Chair – *Update*
 - i. Committee Appointments
 - ii. 2009 QAR Program Status Report.....H

The Board of Accountancy schedules all public meetings at barrier free sites. Persons who need special assistance, such as enlarged type materials, please contact the Board’s Americans with Disabilities Act contact person:

Cheryl Sexton, Washington State Board of Accountancy
 PO Box 9131, Olympia, WA 98507-9131
 360/664-9194 Voice 360/664-9190 Fax

800/833-6388 (TT service) 800/833-6385 (Telebraille service)
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WASHINGTON STATE BOARD OF ACCOUNTANCY

SPECIAL BOARD MEETING AGENDA

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- h. Request Review – Robin Clark, CPA, Chair – *See Consent Agenda – Vote*
- i. Rule Review Task Forces
 - i. QAR – Mark W. Pearson, CPA, Chair – *No Report*
 - ii. Electronic Records – Donald F. Aubrey, CPA, Chair - *No Report*
 - iii. Experience – Robin A. Clark, CPA, Chair – *Update*I

- 9. Executive Director’s Report
 - a. CPE Extensions (16 hours and under) - *Update*
 - b. Enforcement
 - i. Significance to the CPA-Inactive Status of Failure to Meet the CPE Requirement
 - ii. Appropriate Sanction for Repeated Failure to Respond to Board Inquiries
 - iii. Investigation Priorities
 - iv. Investigations & Administrative Sanctions/Investigation Statistics - *Update*J
 - c. Rules Review Update
 - i. WAC 4-25-832
 - d. Status of Online Services – *Update*
 - e. WBOA-News - *Update*
 - f. Other

- 10. Executive Session with Legal Counsel

PUBLIC RULE-MAKING HEARING – 9:00 a.m.

- 1. Public Rule-Making Hearing Script K
- 2. Rule Under Consideration L
 - a. WAC 4-25-830 What are the CPE requirements?
 - b. WAC 4-25-831 What are the program standards for CPE?
- 3. Written Stakeholder Comments

SPECIAL MEETING AGENDA - Continued

- 11. Rules Review - Board Deliberation on proposed rules considered at public rule-making hearing - See listing above under Public Rule-Making Hearing – Item 2.
- 12. Public Input - To ensure the public has an opportunity to address its concerns and the Board has an opportunity to ask questions of the public. Individual speakers will be provided 10 minutes each.

ADJUDICATIVE HEARING on WHETHER TO VACATE SAO ACB-964 – 9:30 a.m.-4:30 p.m.

- 13. No. ACB-964 (Amended) Pre-Hearing OrderM

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WASHINGTON STATE BOARD OF ACCOUNTANCY

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

Time and Place of Meeting	9:08 a.m. – 4:05 p.m. Tuesday, April 21, 2009 The Doubletree Hotel Seattle Airport, Cascade 13 Room 18740 International Boulevard SeaTac, Washington
Attendance	Edwin G. Jolicoeur, CPA, Chair Gerald F. Ryles, Vice-Chair Donald F. Aubrey, CPA, Board Member Robin A. Clark, CPA, Board Member Robert G. Hutchins, Public Board Member Lauren C. Jassny, Public Board Member Mark W. Pearson, CPA, Board Member Mary M. Tennyson, Senior Assistant Attorney General Richard C. Sweeney, CPA, Executive Director Diane M. Bren, CPA, Assistant Director of Operations and Investigations Cheryl M. Sexton, Executive Advisor
Call to Order	Edwin G. Jolicoeur, Chair, called the meeting to order at 9:08 a.m.
Consent Agenda	The Board unanimously approved the following items on the consent agenda as presented: <ul style="list-style-type: none">• Minutes of the January 27, 2009, regular Board Meeting• Request Review Committee Report
Rules Review	<p><u>WAC 4-25-530</u> - The Board held a public rule-making hearing prior to the Board meeting on April 21, 2009, at 9:02 a.m. The Board received no public testimony or written comment. The Board reviewed the proposed changes to rule WAC 4-25-530 and voted unanimously to adopt the rule proposal with an effective date of August 1, 2009.</p> <p><u>WAC 4-25-830(1)(a) and (7)</u> – Staff proposed changes to WAC 4-25-830 to clarify continuing professional education (CPE) requirements for individuals applying for a license via reciprocity.</p> <p><u>WAC 4-25-831</u> – Staff proposed changes to WAC 4-25-831 to:</p> <ul style="list-style-type: none">• Clarify in subsection (8) that credit for self-study CPE is allowed for initial licensure as well as for renewal• Correct a reference in subsection (12). Subsection 12 refers to subsection (9) in WAC 4-25-830 that no longer exists. The correct reference should be to

WAC 4-25-830(8).

- Align the language with WAC 4-25-830 that refers to “extensions” and with the current practice for imposing sanctions

Staff also advised the Board of questions from CPAs regarding the definition of “interactive” vs. “non-interactive.” The Board determined the definitions do not need to be changed. An interactive course provides continuous feedback ensuring the individual actually completes the entire course. Otherwise, an individual completing a non-interactive course can skip to the test at the end of the course without reviewing or completing the entire course and not obtain the full educational benefit.

The Board directed staff to file a CR-102 for public hearing in conjunction with its regular meeting in July revising:

- WAC 4-25-830 as amended to clarify that requests for extension must be submitted no later than December 31 of the year preceding the year of renewal
- WAC 4-25-831 as drafted

Reinstatement

General Discussion – The Executive Director outlined the current process staff follows when processing an application for reinstatement after suspension or revocation. The Executive Director pointed out how statute and rule changes complicate the evaluation of reinstatement applications. The Board provided direction to staff when to refer reinstatement of suspended/revoked applicants to the Board.

The Executive Director presented the following reinstatement applications and requests for modification of prior Board orders. The Board went into closed session following the presentation to discuss the applications/requests from 11:02 a.m. until 11:55 a.m.

Gordon H. Flattum – The Board resolved to deny Mr. Flattum’s application for reinstatement due to lack of good character. Board Member, Mark Pearson, recused himself from considering Mr. Flattum’s request.

George D. Gehrett – The Board tabled consideration of Mr. Gehrett’s application and request for modification of the prior Board order until the Board’s July meeting. The Executive Director will contact Mr. Gehrett and advise him of his options.

Richard H. Dennison – The Board rejected Mr. Dennison’s request for consideration of a reinstatement application as premature and indicated the Board would have difficulty with the

acceptability of a future reinstatement application when considering good character.

NASBA

Regional Director Nomination

Laurie Tish asked the Board for a letter of support/nomination for her bid for regional director. Vice-Chair Gerald Ryles led the discussion and presented a draft letter for the Board's consideration. Ed Jolicoeur, as a member of NASBA's nominating committee, abstained from discussions. The Board unanimously resolved to recommend Laurie for Pacific Regional Director.

Western Regional Meeting – NASBA is paying for Ed Jolicoeur and Laurie Tish to attend the Western Regional meeting. The Executive Director will ask the Office of Financial Management (OFM) for exception to the out-of-state travel restriction to allow the Executive Director and Robert Hutchins to travel to the regional meeting on NASBA scholarship.

Update

Rich Jones, President and CEO of the Washington Society of CPAs (WSCPA), updated the Board on the status of mobility legislation throughout the nation.

Ed Jolicoeur reported that the Nominating Committee nominated Michael Daggett for NASBA Vice-Chair for 2009-2010.

**Legal
Counsel's
Report**

The Board's legal counsel, Mary M. Tennyson, Senior Assistant Attorney General advised the Board of the challenges the Attorney General's office faces when advising Board staff on public records compliance in light of current court cases.

The Executive Director reported the agency is in the process of revising its records retention schedules. Once the Secretary of State Records Committee approves the schedules, the agency will move its e-mail into the Department of Information Services (DIS) vault. This decision is not intended to deny public access to agency records, but to manage e-mail.

Chair's Report

Board Officers Meeting

The Board officers met with the Executive Director on April 14, 2009.

**Compliance
Assurance
Oversight
Committee**

Mark Pearson attended the Compliance Assurance Oversight Committee's meeting on April 20, 2009. The Committee discussed the approach for its first meeting on May 5, 2009, to witness and perform due diligence of the peer review process by

the WSCPA's peer review committee.

The Executive Director reported that acceptance of an operating agreement between the Board and the WSCPA for state oversight of the peer review program is almost complete. The agreement covers acceptance process, confidentiality, reporting, and funding. Mary Tennyson asked to review the document.

The Board will discuss large firm peer review oversight at its July meeting.

**CPA Exam
Liaison
Committee**

No report.

**CPE
Committee**

No report.

**Education Rule
Review
Committee**

No report.

**Legislative
Liaison
Committee**

The Executive Director reported on the status of the following legislation:

Technical Correction – Senate Bill 5434; House Bill 1518
Governor signed this legislation on April 16, 2009.

Confidential Records – Senate Bill 5435; House Bill 1573
The Senate Committee on Labor and Commerce & Consumer Protection did not take action on this bill and the bill died.

Estate Distribution Documents – Substitute Senate Bill 5343;
House Bill 1331;
Governor signed this legislation on April 16, 2009.

Prevent or Reduce Owner-Occupied Foreclosure Program
(PROOF) – Engrossed Senate Bill 6033

This legislation seems to be progressing. If the Governor signs the legislation, Lauren Jassny and Gerald Ryles volunteered to serve as a non-voting representative of the Board on the PROOF oversight committee.

**Outreach
Committee**

No report.

Qualifications

No report.

Committee

Quality Assurance Review (QAR) Committee

Mark Pearson, QAR Committee Co-Chair, reported that the Committee recommends moving review of audit reports from the Board's current Quality Assurance Review (QAR) process to a peer review process. The Committee will review the Board rule WAC 4-25-820 and make recommendations to the Board. The AAG advised the Public Accountancy Act authorizes the Board to have a QAR program at the direction of the Board.

Request Review Committee

The following report was approved under the consent agenda:

CPE Extensions – Since the January 2009 Board meeting, the Board received 16 extension requests where the CPE deficiency was more than 16 CPE credit hours. The Executive Director and a Consulting Board Member took the following action:

Approved: 5
Denied and Referred to Enforcement: 11

Firm Names – The Executive Director and a Consulting Board member approved the following firm names since the January 2009 Board meeting.

1. Schafer, Tschopp, Whitcomb, Mitchell & Sheridan, LLP
2. Interactive Accounting Solutions
3. NWCPA
4. Izabal, Bernaciak & Company
5. Spectrum CPA Group, LLP
6. Pinnacle Tax & Accounting Services
7. Kristine T. Nelson, CPA MPACC

Late Fee Waivers – The Board did not receive any late fee waiver requests since the January 2009 Board meeting.

Professional/Education Organization – Recognition Requests – Since the January 2009 Board meeting, the Board received two requests for recognition. The Executive Director and a Consulting Board Member from the Request Review Committee *recognized* the following as educational organizations for purposes of obtaining lists of individual CPAs:

1. Government Finance Officers Association
2. Idaho Society of Certified Public Accountants

Rule Review Task Forces

QAR
See QAR Committee report above.

Electronic Records

Donald Aubrey reported that the Task Force recommends splitting WAC 4-25-640 into two rules and presented draft language to the Board. Don request Board members provide him with any input suggestions. The Board will include these drafts changes in its comprehensive rule review to ensure consistency and accuracy.

Experience

Robin Clark had no report. She plans to meet with Board staff soon.

**Executive
Director's
Report**

Meeting With Board Officers

The Executive Director gave an overview of topics covered at the April 14, 2009, meeting with Board officers.

CPE Extensions (16 hours and under) – Since the January Board meeting, the Board received 40 requests for extension of time to complete CPE of 16 hours and under. The Executive Director took the following action:

Approved: 10

Denied: 30

Referred to Enforcement for 100% non compliance: 5

Administrative Sanctions: 25

Weather related CPE extensions are not included in the above.

Investigation Management Report – The Executive Director provided the following to the Board:

- 2009 First Quarter Closed Investigations & Administrative Sanctions
- 2006-2009 Closed Investigations & Administrative Sanctions for Each Calendar Year
- 2006-2009 Closed Investigations & Administrative Sanctions for the First Quarter for Each Year
- Investigation Statistics January 1999 through March 2009

Rules Review

The Executive Director reported he is drafting revisions to WAC 4-25-540 to improve the Brief Adjudicative Proceeding process.

WBOA-News – As of April 21, 2009, 1,395 individuals have subscribed. This is a net increase of 34 individuals (2.5%) since January 27, 2009.

Minutes, April 21, 2009, Board Meeting

- Public Input** During the meeting, the Board heard comments from Rich Jones representing the Washington Society of CPAs (WSCPA) and Antonio Laliberte, CPA.
- Executive Session with Legal Counsel** At 3:20 p.m., the Board and legal counsel went into executive session to discuss pending and potential litigation. The Board did not take any action.
- Adjournment** The Board adjourned at 4:05 p.m.

WASHINGTON STATE BOARD OF ACCOUNTANCY

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

Time and Place of Meeting	1:00 p.m. – 1:27 p.m. Wednesday, July 1, 2009 The Doubletree Hotel Seattle Airport, Cascade 1 Room 18740 International Boulevard SeaTac, Washington
Attendance	Gerald F. Ryles, Vice-Chair Donald F. Aubrey, CPA, Board Member Robin A. Clark, CPA, Board Member Robert G. Hutchins, Public Board Member Lauren C. Jassny, Public Board Member Mark W. Pearson, CPA, Board Member Martha Lantz, Assistant Attorney General Meranda A. Scott, Investigations Administrator
Call to Order	Gerald F. Ryles, Vice-Chair, called the meeting to order at 1:00 p.m.
Order on Remand	<p>The Board Chair called this special meeting for the Board to discuss the King County Superior Court Case No. 08-2-40644-0, <u>Clark v. Board of Accountancy</u>, May 8, 2009 Order on Remand to Board following D. Edson Clark's Motion to Vacate Stipulation and Agreed Order (S&AO) ACB-964.</p> <p>Martha Lantz from the Attorney General's Office introduced herself and provided an overview of the court case. Ms. Lantz advised the Board that they were tasked with either granting the request to vacate the S&AO ACB-964 or recommending the case go to a hearing only on the issue of whether to vacate the S&AO.</p> <p>Ms. Lantz advised the Board that granting the request to vacate the S&AO ACB-964 without holding a hearing would require the case to be returned to Board staff for follow up; but that there would be no record of why the decision was made, and the perception would be that the Board agreed with the allegations made by Mr. Clark.</p> <p>Ms. Lantz advised the Board that holding a hearing would allow all parties to hear from Mr. Clark and Board staff. Both sides of the case would be heard and a record of the evidence that the Board considered in reaching its decision would be made.</p> <p>Discussion opened up at 1:15. After some discussion Board Member Mark W. Pearson made a motion to move the case</p>

forward to a hearing on the issue of whether to vacate the S&AO. The motion was second by Public Board Member Robert G. Hutchins. The motion carried.

The next Board meeting of July 28, 2009, is being considered as a possible date to hold the hearing. The Board's counsel will work out the details and the date of the hearing with the Mr. Clark's counsel.

The Attorney General's Office will draft an order capturing the decision reached by the Board to conduct a hearing on the issue of whether to vacate the S&AO. Ms. Lantz will coordinate a pre-hearing conference by telephone with the appropriate parties.

Ms. Lantz advised the Board to call her if they had any questions

Public Input

No comments were heard from the public.

**Executive
Session with
Legal Counsel**

The Board did not meet in Executive Session with Legal Counsel.

Adjournment

The Board adjourned at 1:27 p.m.

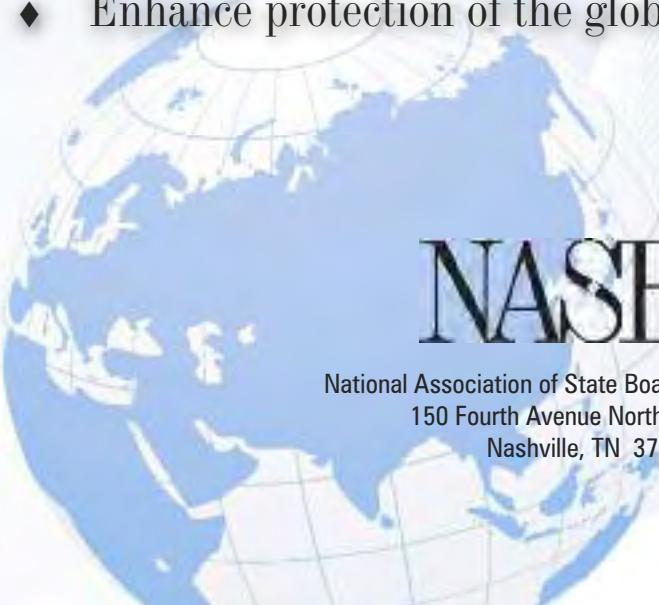


NASBA

*Forum of International
Accountancy Regulators*

*Providing a forum for accountancy regulators
around the world to . . .*

- ◆ Work together on common issues
- ◆ Explore similarities and differences in regulatory models
- ◆ Enhance protection of the global public interest



NASBA

National Association of State Boards of Accountancy
150 Fourth Avenue North, Suite 700
Nashville, TN 37219

Testimonials

from 2008 Forum of International Accountancy Regulators

***“Outstanding conference,
should be continued.”***

“The dialogue between the various countries was very eye-opening. I hope this is the beginning of a continuing conference.”

“We must have future conferences regarding international regulatory issues!!”

“Interaction with international colleagues was invaluable.”

“Extremely impressed with the quality of the presenters and attendees. Great dialogue.”



Benefits of Attending

- ◆ Build relationships with other international regulators
- ◆ Understand the global impact of international standards
- ◆ Enhance knowledge of global regulatory activities
- ◆ Communicate with regulators from other jurisdictions to learn best practices
- ◆ Learn how other jurisdictions evaluate education and experience for professional licensing candidates
- ◆ Develop a foundation for assessing ethical issues

Agenda

The Benefits of Free Trade Agreements – Trade agreements play an important role in opening markets and promoting commerce. Learn more about this tool as a delegate from the Office of the U.S. Trade Representative discusses bi-lateral and multi-lateral trade agreements.

Regulatory Conversation – Join in this unique roundtable with regulators throughout the world. Participants will discuss issues that have been identified through a survey completed by attendees prior to the International Forum.

Independent Audit Oversight Panel – Discuss the challenges facing various audit oversight boards. What is the future of the inspection process? Should the oversight bodies provide additional guidance to auditors on the fair market value standards? How will these entities work in the global arena to ensure the protection of investors?

Legal Challenges in Uncertain Times – With the financial crisis, it is expected that legal challenges to audits will increase significantly as they have in prior economic downturns. Gain an understanding about the comprehensive study mandated by the European Union on the impact of professional liability exposure and the availability of public accounting services. In contrast, the session will also offer insight into the legal system in the United States.

Continuing Competency Models – Regulatory boards must continue to monitor the activities of the professional accountants even after they have been licensed/credentialed. Learn more about an international continuing education registry, credential evaluation and quality review.

U.S. Center for Audit Quality – The Center for Audit Quality was created to serve investors, public company auditors and the markets. Explore the public policy issues facing firms that are regulated by the various oversight agencies.

Emerging Issues Panel – This session will showcase the most current emerging issues. Visit the Web site as the International Forum draws closer to learn what these topics will be.

Political and Special Interest Pressures on Standard Setting – As the world comes to grips with the economic whiplash that devastated investors, standard setters are strongly encouraged to yield to political pressures. In Europe and the United States, the accounting standard setters were forced to respond to these political pressures by modifying fair value accounting. At other times, governments and special interest groups subtly influence the system to achieve certain goals and outcomes. How can regulators best promote independent and objective standard setters? How can independent oversight assure the public interest is best served? What constitutes effective oversight?

Breakout Sessions

Participants will have the opportunity to share knowledge by attending two of the four separate interactive sessions designed to encourage communication among participants.

- ♦ **Financial Statement User Groups** – Financial statements and audits are for the benefit of investors and other stakeholders. What are these groups asking for from regulators, companies, and auditors in order to provide transparent, meaningful information?
- ♦ **Mutual Recognition Agreements and Common Content Project** – International mobility will require regulators to look at similarities and identify the best ways to achieve substantial equivalency among the different licensing/credentialing programs. Understand how this can best be accomplished among countries.
- ♦ **Continuing Competency** – Drill down into the best practices which are designed to ensure that public protection continues after the initial licensing/credentialing of a professional accountant.
- ♦ **Study on the Impact of Liability Exposure** – In-depth conversations about the EU liability study and the different liability exposure in other countries. Discuss the role or responsibility of regulators to assist in ensuring reasonable liability exposure for public accountants. Is this a professional interest issue? What steps are necessary to provide awareness and cautions of cross border practice?



Only in San Francisco

With over 40 neighborhoods in walking distance of the W San Francisco, there is so much to see and do. San Francisco's Chinatown is one of the largest and oldest in the United States. Visit Haight-Ashbury where the "Summer of Love" converged and still lives on in this Victorian area. Last but not least, find yourself in Union Square, where some of the greatest shopping can be found.

Hotel Information

W San Francisco
181 Third Street
San Francisco, California

Rate: \$229 + 15.58% tax**

Telephone: (415) 777-5300 or
toll free at 877-WHOTELS

Reference: NASBA

Reservation Deadline: Friday,
August 7, 2009

** Rate is quoted in US dollars
and is subject to local state
taxes, currently 15.58%

For those wanting to go beyond the Golden Gate Bridge, there is much to do nearby as well. Alcatraz Island is a must-see for anyone visiting the city. Known as "The Rock", this military fort turned federal prison was home to many infamous convicts such as Al Capone and The Birdman of Alcatraz. For luscious scenery, drive an hour north of the city to Napa Valley, the country's most elegant wine region, where you can visit and tour hundreds of vineyards.

There is so much to see and do in "The City by the Bay", many will likely want to extend their trip. For more information and to schedule tours, please contact the Visitor Information Center at 415-391-2000 or www.onlyinsanfrancisco.com.



Special Event

San Francisco Bay Dinner Cruise
Friday, September 11, 2009
6:30 - 9:30pm

Wind down the Forum with a dinner cruise touring the San Francisco Bay on the Sunset Hornblower yacht. Sail under the magnificent Golden Gate Bridge and enjoy the festive lights adorning the Bay Bridge at night. Whether dining or dancing, this evening is sure to be a big hit.



Registration

Registration for this event is complimentary and includes:

- ◆ Welcome Reception on September 9
- ◆ Full Forum on September 10-11
- ◆ Bay Dinner Cruise on September 11

Register Online:
nasba.org (select 'Meetings')

Contact: Linda L. Biek, CPA
Director, Int'l Relationships
615-564-2140
lbiek@nasba.org

Linked 





PROPOSED RULE MAKING

CR-102 (June 2004)

(Implements RCW 34.05.320)

Do NOT use for expedited rule making

Agency: Board of Accountancy

- Preproposal Statement of Inquiry was filed as WSR 08-13-024 _____ ; or
 Expedited Rule Making--Proposed notice was filed as WSR _____ ; or
 Proposal is exempt under RCW 34.05.310(4).

- Original Notice
 Supplemental Notice to WSR _____
 Continuance of WSR _____

Title of rule and other identifying information: (Describe Subject)
 WAC 4-25-830 What are the CPE requirements for individuals?
 WAC 4-25-831 What are the program standards for CPE?

Hearing location(s):

Cascade 12 Room
 The Doubletree Hotel Seattle Airport
 18740 International Boulevard
 SeaTac, Washington

Date: July 28, 2009 Time: 9:00 a.m.

Submit written comments to:

Name: Richard C. Sweeney, Executive Director
 Address: PO Box 9131
 Olympia, WA 98507-9131
 e-mail cheyls@cpaboard.wa.gov
 fax (360)664-9190 by (date) July 21, 2009

Assistance for persons with disabilities: Contact

Cheryl Sexton by July 21, 2009

TTY (800) 833-6384 or (360) 664-9194

Date of intended adoption: July 28, 2009
 (Note: This is NOT the effective date)

Purpose of the proposal and its anticipated effects, including any changes in existing rules:

WAC 4-25-830:

- Subsections (1)(a) and (7): To clarify continuing professional education (CPE) requirements for individuals. CPE taken prior to initial licensure cannot be used for licensing or renewal purposes. This proposal aligns the rule with WAC 4-25-831(7).
- Subsection (8): To require CPE extension requests be submitted no later than December 31 of the year preceding the year of renewal

WAC 4-25-831:

- Subsection (8): To clarify that credit for self-study CPE is allowed for initial licensure as well as for renewal
- Subsection (12): To correct a reference to WAC 4-25-830(9). Subsection WAC 4-25-830(9) no longer exists. The correct reference should be to WAC 4-25-830(8).
- Subsection (12): To align the language with WAC 4-25-830 that refers to "extensions" and with the current practice for imposing sanctions

Reasons supporting proposal:

See attached

Statutory authority for adoption: RCW 18.04.055(7);
 RCW 18.04.215(5)

Statute being implemented: RCW 18.04.055(7);
 RCW 18.04.215(5)

Is rule necessary because of a:

- Federal Law? Yes No
 Federal Court Decision? Yes No
 State Court Decision? Yes No
 If yes, CITATION: Yes No

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
 STATE OF WASHINGTON
 FILED

DATE: May 21, 2009
 TIME: 4:42 PM

WSR 09-12-016

DATE
 May, 2009

NAME (type or print)
 Richard C. Sweeney

SIGNATURE

TITLE
 Executive Director

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

None

Name of proponent: (person or organization) Washington State Board of Accountancy

- Private
- Public
- Governmental

Name of agency personnel responsible for:

Name	Office Location	Phone
Drafting..... Richard C. Sweeney	PO Box 9131, Olympia, WA 98507-9131	(360) 586-0163
Implementation....Richard C. Sweeney	PO Box 9131, Olympia, WA 98507-9131	(360) 586-0163
Enforcement..... Richard C. Sweeney	PO Box 9131, Olympia, WA 98507-9131	(360) 586-0163

Has a small business economic impact statement been prepared under chapter 19.85 RCW?

Yes. Attach copy of small business economic impact statement.

A copy of the statement may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

No. Explain why no statement was prepared.

The proposed rule will not have more than minor economic impact on business

Is a cost-benefit analysis required under RCW 34.05.328?

Yes A preliminary cost-benefit analysis may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

No: Please explain: The Board of Accountancy is not one of the agencies required to submit to the requirements of RCW

34.05.328.

Reasons supporting proposal:

WAC 4-25-830:

- Subsections (1)(a) and (7): WAC 4-25-830(7) requires individuals applying for a Washington State certified public accountant (CPA) license via reciprocity to complete CPE (120 hours) within the 36 month period immediately preceding the date the application is received. WAC 4-25-831(7) states “CPE credit is allowable only for those programs taken after the issuance of the CPA license.” The Board intends WAC 4-25-831(7) to apply to all CPAs, including those requesting a license via reciprocity and proposes changes to ensure WAC 4-25-830 (1)(a) and (7) are clear.
- Subsection (8): CPAs request additional time to complete their CPE requirements (extensions) well after the individual hardship caused the need, sometimes up to a year later. The Board believes if a situation causes the need for additional time, the request should closely follow the need. The Board proposes language to clarify that the Board will consider requests for CPE extensions by the end of their CPE reporting periods.

WAC 4-25-831

- Subsection (8): This subsection currently implies that a CPA may only use self-study CPE for renewal. However, a certificateholder converting to a license, an out-of-state licensee applying for a Washington license, or a person applying to reinstate a license may also use self-study CPE. The Board proposes language to clarify this potential ambiguity. This revised language correlates to the language in Board Policy 2000-1 Continuing Professional Education under Acceptable Evidence Supporting Eligibility for CPE.
- Subsection (12):
 - This subsection currently refers to subsection (9) of WAC 4-25-830. In 2001, the Board removed WAC 4-25-830(8) (the 20 hour per year requirement) and renumbered WAC 4-25-830 accordingly. The Board proposes correcting the reference for accuracy.
 - WAC 4-25-830(8) refers to “CPE extension request.” The Board proposes adding the word “extension to align the two rules.
 - When imposing sanctions, the Board may allow a CPA to carry-back CPE hours to a prior reporting period. The Board proposes aligning the language with current practice for clarity.

AMENDATORY SECTION (Amending WSR 08-18-016, filed 8/25/08, effective 9/25/08)

WAC 4-25-830 What are the CPE requirements for individuals?

(1) The following CPE is required for individuals during the three calendar year period prior to renewal:

(a) An individual licensed to practice in this state must complete a total of 120 CPE ((credit)) hours ((which is limited to 24 CPE credit hours in nontechnical subject areas and must include)), including 4 CPE credit hours in an approved Washington ethics and regulations course meeting the requirements of subsection (3) of this section. The total 120 CPE hours requirement is limited to no more than 24 CPE credit hours in nontechnical subject areas. All qualifying CPE hours must be taken after the date your initial CPA license was issued;

(b) A CPA-Inactive certificateholder or a resident nonlicensee firm owner must complete 4 CPE credit hours in ethics meeting the requirements of subsection (3) of this section; and

(c) Individuals holding practice privileges are exempt from the CPE requirements of this section.

(2) **CPE requirements for renewal of a license that was issued less than three years before the end of a CPA-Inactive certificate renewal cycle:** When you convert your status from a CPA-Inactive certificateholder to a licensee, your CPE reporting period (the three calendar year period prior to renewal) and renewal cycle will remain the same. The CPE requirements for renewal are as follows:

(a) If your license was issued during the first calendar year of your CPE reporting period, you must have completed 80 CPE credit hours which is limited to 16 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics meeting the requirements of subsection (3) of this section.

(b) If your license was issued during the second calendar year of your CPE reporting period, you must have completed 40 CPE credit hours which is limited to 8 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics meeting the requirements of subsection (3) of this section.

(c) If your license was issued during the third calendar year of your CPE reporting period, you must have completed 4 CPE credit hours in ethics meeting the requirements of subsection (3) of this section.

(3) **Ethics and regulations applicable to practice in Washington state:** During each CPE reporting period all individuals licensed in this state, individual CPA-Inactive certificateholders in this state, and resident nonlicensee firm owners are required to complete 4 CPE credit hours in approved ethics and regulations with specific application to the practice of public accounting in Washington state. In order to be approved by the board, the CPE

sponsor or instructor must submit documentation associated with the ethics and regulations CPE to the board for approval and the sponsor or instructor must obtain written approval from the board. The ethics and regulations CPE must cover all of the following topics, and the ethics and regulations CPE must substantially address these topics:

(a) Chapter 18.04 RCW and chapter 4-25 WAC. The CPE must include general level information on the Public Accountancy Act, the board's rules, policies, and the rule-making process.

(b) WAC 4-25-521 How can I contact the board?

(c) WAC 4-25-550 Do I need to notify the board if I change my address?

(d) WAC 4-25-551 Must I respond to inquiries from the board?

(e) WAC 4-25-600 Series--Ethics and prohibited practices. The CPE must include detailed information on each rule and all related board policies.

(f) WAC 4-25-800 Series--Continuing competency. The CPE must include detailed information on each rule and all related board policies.

(g) WAC 4-25-910 What are the bases for the board to impose discipline?

(h) AICPA Code of Conduct: The CPE must include general level information on the AICPA Code of Conduct.

(i) Variances or key differences between Washington state law (chapter 18.04 RCW and chapter 4-25 WAC) and the AICPA Code of Conduct.

(j) Other topics or information as defined by board policy.

(4) CPE requirements to renew a retired license or CPA-Inactive certificate:

(a) In order to renew a retired license you must meet the CPE requirements of subsection (1)(a) of this section within the thirty-six month period immediately preceding the date the renewal application is received by the board; however, the four CPE hours in ethics meeting the requirements of subsection (3) of this section must be completed within the six-month period immediately preceding the date your renewal application was received by the board.

(b) In order to renew a retired CPA-Inactive certificate, you must meet the CPE requirements of subsection (1)(b) of this section within the six-month period immediately preceding the date your renewal application was received by the board.

(5) CPE requirements for a CPA-Inactive certificateholder to either qualify to apply for a license or return to their previously held status as a licensee: If you hold a valid CPA-Inactive certificate and you wish to apply for a license or you want to return to your previously held status as a licensee, you must meet the CPE requirements of subsection (1)(a) of this section within the thirty-six month period immediately preceding the date your application is received by the board.

(6) Reinstatement of a lapsed, suspended, or revoked license, certificate, or registration as resident nonlicensee firm owner:

(a) If you seek to reinstate a lapsed, suspended, or revoked

license, you must satisfy the requirements of subsection (1)(a) of this section within the thirty-six month period immediately preceding the date the application for reinstatement was received by the board; however, the four CPE hours in ethics meeting the requirements of subsection (3) of this section must be completed within the six-month period immediately preceding the date your application for reinstatement was received by the board.

(b) If you seek to reinstate a lapsed, suspended, or revoked CPA-Inactive certificate, or registration as a resident nonlicensee firm owner, you must satisfy the requirements of subsection (1)(b) of this section within the six-month period immediately preceding the date your application for reinstatement was received by the board.

(7) **Reciprocity:** If you are applying for an initial Washington state CPA license under the reciprocity provisions of the act, you must satisfy the requirements in subsection (1)(a) of this section, after you were licensed as a CPA and within the thirty-six month period immediately preceding the date your application was received by the board. For purposes of initial licensure, you do not need to satisfy the ethics requirements of subsection (1)(a) of this section. Thereafter, in order to renew your Washington state license, you must comply with all the renewal requirements in subsection (1)(a) of this section.

(8) **CPE extension request:** In order to renew your license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner, you must complete the required CPE by the end of the CPE reporting period preceding your renewal unless you can demonstrate your failure to meet the CPE requirements was due to reasonable cause. The board may provide limited extensions to the CPE requirements for reasons of individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment. You must request such an extension in writing by the end of the CPE reporting period. The request must include justification for the request and identify the specific CPE you plan to obtain to correct your CPE deficiency.

A form useful for this purpose is available from the board's web site or will be provided to you upon request.

AMENDATORY SECTION (Amending WSR 05-01-137, filed 12/16/04, effective 1/31/05)

WAC 4-25-831 What are the program standards for CPE? (1)
Qualifying program: A program qualifies as acceptable CPE for purposes of RCW 18.04.215(5) if it is a formal program of learning which contributes to the CPA's professional knowledge and competence. A formal program means:

- The program is at least fifty minutes in length;
- Attendance is recorded;

- Participants sign in to confirm attendance and, if the program is greater than four credit hours, participants sign out during the last hour of the program; and

- Attendees are provided a certificate of completion.

(2) **Undergraduate and graduate courses:** A graduate or undergraduate course qualifies for CPE credit if it meets the standards in subsections (1) and (5) of this section. For both undergraduate and graduate courses one quarter credit equals 10 CPE credit hours and one semester credit equals 15 CPE credit hours.

(3) **Committee meetings:** Generally, CPE credit is not allowed for attending committee meetings. A meeting qualifies for CPE credit only if it meets the standards in subsections (1) and (5) of this section.

(4) **CPE credit hours for volunteer service on the board and its committees and volunteer service on board approved peer review committees:** You may receive up to thirty-two hours of technical CPE credit each calendar year for actual time spent on board, board committee, or board approved peer review committee activities.

(5) **Subject areas:** Programs dealing with the following general subject areas are acceptable so long as they meet the standards in subsection (1) of this section:

(a) **Technical subjects include:**

- (i) Auditing standards or procedures;
- (ii) Compilation and review of financial statements;
- (iii) Financial statement preparation and disclosures;
- (iv) Attestation standards and procedures;
- (v) Projection and forecast standards or procedures;
- (vi) Accounting and auditing;
- (vii) Management advisory services;
- (viii) Personal financial planning;
- (ix) Taxation;
- (x) Management information services;
- (xi) Budgeting and cost analysis;
- (xii) Asset management;
- (xiii) Professional ethics (other than those programs used to satisfy the requirements of WAC 4-25-830(3));
- (xiv) Specialized areas of industry;
- (xv) Human resource management;
- (xvi) Economics;
- (xvii) Business law;
- (xviii) Mathematics, statistics, and quantitative applications in business;
- (xix) Business management and organization;
- (xx) General computer skills, computer software training, information technology planning and management; and
- (xxi) Negotiation or dispute resolution courses;

(b) **Nontechnical subjects include:**

- (i) Communication skills;
- (ii) Interpersonal management skills;
- (iii) Leadership and personal development skills;
- (iv) Client and public relations;
- (v) Practice development;

- (vi) Motivational and behavioral courses; and
- (vii) Speed reading and memory building.

Subjects other than those listed above may be acceptable provided you can demonstrate they contribute to your professional competence. You are solely responsible for demonstrating that a particular program is acceptable.

(6) **Group programs:** You may claim CPE credit for group programs such as the following so long as the program meets the standards in subsections (1) and (5) of this section:

(a) Professional education and development programs of national, state, and local accounting organizations;

(b) Technical sessions at meetings of national, state, and local accounting organizations and their chapters;

(c) Formal in-firm education programs;

(d) Programs of other organizations (accounting, industrial, professional, etc.);

(e) Dinner, luncheon, and breakfast meetings which are structured as formal educational programs;

(f) Firm meetings for staff and/or management groups structured as formal education programs. Portions of such meetings devoted to communication and application of general professional policy or procedure may qualify, but portions devoted to firm administrative, financial and operating matters generally will not qualify.

(7) **CPE credit:** CPE credit is allowable only for those programs taken after the issuance of the CPA license. Credit is not allowed for programs taken to prepare an applicant for the ethics examination as a requirement for initial licensure. CPE credit is given in half-hour increments only after the first full CPE credit hour has been earned. A minimum of fifty minutes constitutes one CPE credit hour and, after the first fifty-minute segment has been earned, twenty-five minutes constitutes one-half CPE credit hour. For example:

- Twenty-five minutes of continuous instruction counts as zero CPE credit hour;

- Fifty minutes of continuous instruction counts as one CPE credit hour; and

- Seventy-five minutes of continuous instruction counts as one and one-half CPE credit hours.

Attendees obtain CPE credit only for time spent in instruction; no credit is allowed for preparation time.

(8) **Self-study programs:** Credit for self-study programs is allowed (~~in the renewal period in which~~) for reporting purposes on the date you completed the program as established by the evidence of completion provided by the program sponsor.

(a) **Interactive self-study programs:** The amount of credit allowed for interactive self-study is that which is recommended by the program sponsor on the basis of the average completion time under appropriate "field tests." In order to claim CPE credit for interactive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor.

(b) **Noninteractive self-study programs:** The amount of credit

allowed for noninteractive self-study is one-half the average completion time as determined by the program sponsor on the basis of appropriate "field tests." To claim CPE credit for noninteractive self-study programs, you must obtain evidence of satisfactory completion of the course from the program sponsor.

(9) **Instructor, discussion leader, or speaker:** If you serve as an instructor, discussion leader or speaker at a program which meets the standards in subsections (1) and (5) of this section, the first time you present the program you may claim CPE credit for both preparation and presentation time. One hour of credit is allowed for each fifty minutes of instruction. Additionally, you may claim credit for actual preparation time up to two times the presentation hours. No credit is allowed for subsequent presentations. A maximum of seventy-two CPE credit hours are allowed for preparation and presentation during each CPE reporting period.

(10) **Published articles, books:** You may claim CPE credit for published articles and books, provided they contribute to your professional competence. Credit for preparation of such publications may be claimed on a self-declaration basis for up to thirty hours in a CPE reporting period. In exceptional circumstances, you may request additional credit by submitting the article(s) or book(s) to the board with an explanation of the circumstances that justify a greater credit. The amount of credit awarded for a given publication will be determined by the board.

(11) **Carry-forward:** CPE credit hours you complete during one period cannot be carried forward to the next period.

(12) **Carry-back:** As specified in WAC 4-25-830(~~((+9+))~~) (8), CPE credit hours you complete during one period can be carried back to the previous reporting period only after the board has approved your extension request (~~((to carry back CPE credit hours))~~) or has required the carry-back as part of sanctions for failure to complete required CPE.

(13) **Credential examination:** You may not claim CPE credit for preparing for or taking a credential examination unless you complete a formal review course and receive a certificate of completion meeting the requirements of WAC 4-25-833. CPE credit may not be claimed for CPA examination review courses.