

# WASHINGTON STATE BOARD OF ACCOUNTANCY

## Minutes of a Regular Meeting of the Board

<b>Time and Place of Meeting</b>	9:00 a.m. –2:23 p.m. Tuesday, April 23, 2013 The Doubletree Hotel Seattle Airport Cascade 12 18740 International Boulevard SeaTac, Washington
<b>Attendance</b>	Emily Rollins, CPA, Chair, Board Member Karen R. Saunders, CPA, Vice Chair, Board Member (Arrived at approximately 9:35 a.m.) Elizabeth D. Masnari, CPA, Secretary, Board Member Donald F. Aubrey, CPA, Board Member Robert G. Hutchins, Public Board Member Edwin G. Jolicoeur, CPA, Board Member Thomas G. Neill, CPA, Board Member Gerald F. Ryles, Public Board Member Bruce L. Turcott, Assistant Attorney General, Board Adviser Richard C. Sweeney, CPA, Executive Director Jennifer Sciba, Deputy Director Charles E. Satterlund, CPA, Director of Investigations Taylor Shahon, Special Assistant to the Director of Investigations Cheryl M. Sexton, Board Clerk
<b>Call to Order</b>	Board Chair, Emily Rollins, called the regular meeting of the Board to order at 9:00 a.m.
<b>Minutes – January 22, 2013, Regular Board Meeting</b>	The Board approved the minutes of the January 22, 2013, regular Board meeting as presented.
<b>Board Policies – Annual Review</b>	The Board completed its annual review of all Board policies and voted to retain the following policies with no revisions: <ul style="list-style-type: none"><li>• 2000-1 Continuing Professional Education</li><li>• 2002-1 Substantial Equivalency Jurisdictions</li><li>• 2002-2 Expert Witness Services</li><li>• 2002-4 International Reciprocity</li><li>• 2004-2 Exam Applicant Disability Documentation</li><li>• 2011-2 Interim Policy Guidelines Pending Rule Changes</li></ul>

The Board voted to retain the following policies with minor revisions:

- 2004-1 Sanction and Penalty Guidelines
- 2011-1 Principles Underlying Board Rules (to replace WAC 4-25-610)
- 2012-1 Social Media

The Board tabled discussion of the following policy until its July 2013 meeting. The Executive Director will make inquiries of the Washington Association of Accountants and the Independent Business Association.

- 2003-1 Safe Harbor Report Language for Use by Non-CPAs

### **Delegations of Authority**

The Board voted to retain the following delegations revised for the current chair's name and signature:

- Charges, Subpoenas, Negotiate Settlement – *Delegated to Executive Director, Richard C. Sweeney*
- Authority to Conduct Investigations – *Delegated to the Director of Investigations*
- CPE Waiver Extension Requests/Request Review Committee
  - *Delegated to Executive Director.* CPE Waiver Extension Requests due to individual hardship, including but not limited to, financial hardship, critical illness, or active military deployment for up to 16 credit hours
  - *Delegated to Executive Director with Concurrence of a Board member.*
    - CPE Waiver Extension Requests due to individual hardship, including but not limited to, financial hardship, critical illness, or active military deployment over 16 credit hours
    - Firm Names
    - Professional/Education Organization Recognition Requests
    - Late Fee Waiver Requests where individual hardship is a factor
    - Domestic or foreign education credential evaluation services
  - *Delegated to one member of the Request Review Committee:* Appeal of Denials of Request for Lists of Individuals

The Board reviewed and proposed minor revisions to the following delegations to reflect current rules and

practices. The Board approved the delegations as revised including the current chair's name and signature effective April 23, 2013:

- Quality Assurance Oversight/Review of Publicly Available Professional Work
  - *Delegated to the Executive Director with concurrence of one Board member. Quality Assurance Oversight*
  - *Delegated to the Executive Director. Review of publicly available professional work.*
- Administrative Notices of Non-Compliance/Administrative Sanctions - *Delegated to the Executive Director*

The Board determined it is the Board's policy to renew its delegations as authorized by RCW 18.04.045(7) whenever there is a new chair. The Board directed staff to annually bring delegations revised for any new chair for review to its January meeting or whenever a new chair is elected.

## Rules Review

WAC 4-30-134 What are the CPE requirements for individuals? The Board reviewed the rule proposal revised for written comments and testimony received at its January 22, 2013, hearing. The Board directed staff to move the proposal forward for public hearing in July in conjunction with the Board's regular meeting.

WAC 4-30-132 What are the program standards for CPE? In January 2012, the AICPA and NASBA revised the Statement on Standards for Continuing Professional Education (CPE) Programs. The revisions include computation of CPE credit for self-study learning activities using a prescribed word count formula. The Board's CPE rules do not currently include this computation.

The Board directed staff to draft an interim policy to allow word count as an approach for interactive and noninteractive self-study continuing professional education (CPE) offered by sponsors other than the AICPA or NASBA.

WAC 4-30-080 How do I apply for an initial individual CPA license? and WAC 4-30-070 What are the experience requirements in order to obtain a CPA license? The Board discussed revisions to the rules to

transfer “knowledge of the Public Accountancy Act and Board rules” from the experience competencies (WAC 4-30-070) to WAC 4-30-080. The proposal will require applicants for an initial individual CPA license to complete a course covering the Washington Public Accountancy Act, related Board rules, and Board policies.

The Board directed staff to begin the rule-making process and include in the Board's July meeting agenda.

**WSCPA Special Award Presentation**

Rich Jones, President and CEO of the Washington Society of CPAs (WSCPA), presented the WSCPA 2012-2013 Special Award to Board Member Robert Hutchins for exceptional dedication to the CPA profession.

**NASBA Update**

Update: Don Aubrey, Pacific Regional Director for the National Association of State Boards of Accountancy (NASBA), provided the Board with an update on NASBA activities including:

- Titles
- NASBA's comments on the AICPA's exposure draft: Proposed Financial Reporting Framework for Small and Medium-Sized Entities
- White paper on firm mobility
- NASBA's Awards Committee is calling for nominations for the Lorraine P. Sachs Standard of Excellence Award and the Distinguished Service Award. Don asked that anyone who is interested in making a nomination to contact him.

Western Regional Meeting: NASBA will hold its Western Regional meeting from June 5 through 7, 2013, in New Orleans, Louisiana. Don Aubrey, Ed Jolicoeur, and the Executive Director will attend. Tom Neill expressed interest in attending.

Pacific Regional Director Nominations: The Executive Director presented a draft letter to NASBA's Nominating Committee supporting the nomination of Don Aubrey to continue to serve as NASBA Pacific Regional Director. The Board endorsed Don's nomination.

**Legal Counsel's Report**

Bruce Turcott, the Board's legal counsel, advised the Board that the Court of Appeals decision dismissing the West public records lawsuit in favor of the Board was not

appealed, and the case is now closed.

Bruce gave a brief presentation on the highlights of Initiative 502 licensing and regulation of marijuana production, processing, and sales in Washington.

**Chair's Report**

Emily Rollins, the Board Chair, reported:

2013 Meeting Schedule: The Board resolved to change its 2013 meeting schedule to:

- Monday, July 22, 2013
- Thursday, October 17, 2012

The Board asked the Board clerk to send out notices to all Board members.

Providing Accounting Services to an Industry that is Illegal under Federal Law: Don provided the Board with an update.

AICPA Exposure Draft on Proposed Revised AICPA Code of Professional Conduct: Comments on the exposure draft are due to the Professional Ethics Division by August 15, 2013. The Chair asked staff to include the exposure draft on the Board's July meeting agenda. Tom Neil and the Executive Director will summarize.

NASBA Committee Nominations: NASBA committee nominations are due. The Chair asked Board members to contact her if they have interest in serving or any recommendations.

**Executive Committee**

The Chair reported. The Board officers met with the Executive Director via telephone on Friday, March 29, 2013.

**Compliance Assurance Oversight Committee**

Ed Jolicoeur presented suggested tools developed by NASBA for peer review oversight by state boards. The checklists will be rolled out formally at the Peer Review Oversight Committee (PROC) conference in Nashville in mid-June. Ed encouraged their use.

The Executive Director reported that Nina Gerbic, CPA, is willing to oversee the administration of the peer review process for engagement reviews and Deidre Roberts, CPA, is willing to oversee the administration of the peer review process for system reviews. The Board formally

appointed Nina and Deidre to the Board's Compliance Assurance Oversight Committee.

**Legislative Liaison Committee**

The Legislative Liaison Committee had nothing to report for this meeting.

**Quality Assurance Committee**

The Quality Assurance Committee had nothing to report for this meeting.

**Request Review Committee**

Committee chair, Karen Saunders reported:

During the first quarter 2013, the Executive Director and a Consulting Board Member from the Request Review Committee took the following action:

CPE Extensions exceeding 16 CPE credit hours: All CPE extension requests were due on or before December 31, 2012. No activity during first quarter 2013.

Firm Names: *Approved:*

- Adams, Brown, Beran & Ball, Chartered
- Cleveland Estes Avellone, PLLC
- Cynthia A Brog Accounting Services, LLC
- Freedom Tax & Accounting Services LLC
- Gumbiner Savett Inc.
- Kalter Co Consulting and Accounting
- Kiesling Associates LLP
- Seattle CPA Firm LLC
- Summit Accounting Services LLC
- Wozniak & Mullen, LLP

Late Fee Waivers: No activity during first quarter 2013.

Professional/Educational Organization - Recognition Requests:

*Recognized:*

- University of Washington
- HalfMoon Education Inc.

Domestic or Foreign Education Credential Evaluation Services – Applications:

*Recognized:*

- Educational Records Evaluation Service, Inc. (ERES)

**State Ethics**

Ethics advisor, Tom Neill, reported that he will be

**Compliance  
Committee**

forwarding compliance checklists to new staff. The Executive Director is suggesting training for staff.

**Executive Director's  
Report**

The Executive Director reported:

Budget Review: The 2013 Legislature is proposing a sweep of \$3.2 million from the agency's fund balance. Judy Love, Director of Advocacy for the WSCPA, reported on the WSCPA's legislative activities.

CPE Deficiencies: All CPE extension requests were due on or before December 31, 2012. There was no activity during first quarter 2013.

Executive Director Reappointment Application Process: Reappointment is still pending the Governor's action.

Government Management, Accountability & Performance (GMAP): The Governor has directed agencies to use Lean principles and methods to improve value for taxpayers' money.

Implementation of Performance Review Task Force Recommendations: The Executive Director reported on the recommended centralization of records. The agency will be moving email management to the Department of Enterprise Services' email vaulting solution.

Investigation Statistics/Investigations & Administrative Sanctions: Charles Satterlund, CPA, Director of Investigations provided the following reports to the Board:

- Complaint Status Report for the period ended March 31, 2013
- Investigation Statistics January 2003 through March 31, 2013
- Case Status Report – March 31, 2011 through December 31, 2012

Board members asked that Charles add the number of CPAs to the Investigation Statistics 2003-2013 report. Charles reported on hot topics including:

- Sale of CPA practice and confidential client information
- Accounting/Payroll files in Cloud environment: Charles related recent investigative experience with two cases involving complaints about accounting and payroll files that are created for the benefit of

the client using software hosted on a cloud environment, the most prevalent example being QuickBooks accounting or payroll files that are hosted by Intuit. The complaints center on ownership of the accounting files and whether or not the CPA is obligated to transfer the files to the client upon the client's disengagement. In at least one of the example cases, the CPA made arguments that the accounting file was proprietary work product. Board members communicated a strong directive to the investigative staff that electronic accounting files created for the clients benefit are unambiguously client records under WAC 4-30-051.

- Use of title on resumes
- Partnership disputes
- Moving cases forward when litigation or legal action is pending
- Accountancy Licensee Database (ALD) monitoring has been assigned to the Director of Investigations' Special Assistant

IT Integration: The online IT integration project is moving ahead. The project is currently focusing on case management.

Renewal: Staff provided the Board with the following renewal statistics:

**Individuals**

4533 renewing online – 98%  
101 renewing via paper - 2%  
1620 still to renew – 26%

**Firms**

457 renewing online – 95%  
22 renewing via paper – 5%  
300 still to renew – 39%

To date using the online application, the agency has collected in revenue:

ACH = \$2,351,090 - 46%  
AMX = \$553,416 –11%  
Mas = \$536,031 – 11%  
Vis = \$1,656,021 –32%  
Total = \$5,096,558

Staffing: Three new staff member were hired: Communication Specialist, Forms and Records Analyst,

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and Special Assistant to Director of Investigations. They are providing the agency with energy, initiative, and new ideas.

WBOA-News: As of April 17, 2013, 1856 individuals have subscribed. This is a net increase of 25 individuals since January 15, 2013 – 1%.

**Public Input**

The Board received input from representatives of the WSCPA throughout the meeting.

**Adjournment**

The Board adjourned at 2:23 p.m.