

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of the Regular Meeting of the Board

Time and Place of Meeting	9:00 a.m. – 1:52 p.m. Thursday, April 26, 2012 The Doubletree Hotel Seattle Airport Cascade 13 18740 International Boulevard SeaTac, Washington
Attendance	Donald F. Aubrey, CPA, Chair, Board Member Robert G. Hutchins, Vice Chair, Public Board Member Lauren Jassny, Public Board Member Edwin G. Jolicoeur, CPA, Board Member Elizabeth D. Masnari, CPA, Board Member Thomas G. Neill, CPA, Board Member Gerald F. Ryles, Public Board Member Karen R. Saunders, CPA, Board Member Richard C. Sweeney, CPA, Executive Director Jennifer Sciba, Director of Operations and Administration Cheryl M. Sexton, Board Clerk Invited Guests: Michael Decker, AICPA John Fields, NASBA James Suh, NASBA
Public Rule-Making Hearing	The Board held a public rule-making hearing from 9:01 a.m. to 9:17 a.m. The Board proposed to amend WAC 4-30-058 Does the board authorize the use of any other titles or designations? The Executive Director presented the rule-making proposal. <u>Written Testimony</u> The Board received written comments from two individuals prior to the hearing. <u>Oral Testimony</u> The Board heard oral testimony on the rule under consideration from the following participants: <ul style="list-style-type: none">• Rich Jones, CPA, President and CEO, Washington Society of CPAs• Judy Love, Director of Advocacy, Washington Society of CPAs The Board Chair announced that the Board would deliberate on the oral and written testimony and the

proposed rule during its regularly scheduled Board meeting later in the day. All participants will be notified in writing of the Board's decision regarding the proposed rule.

Call to Order

Donald Aubrey, Chair, called the regular meeting of the Board to order at 9:17 a.m.

**AICPA Presentation
"CPA Examination
Update"**

Michael Decker, the American Institute of CPAs (AICPA) Director of Operations and Development, Examinations Team, provided the Board with a CPA examination update including:

- The NASBA, AICPA, Prometric (NAP) partnership
- Governance: the AICPA Board of Examiners
- About the CPA Exam
- CBT-e Update
- Examination Trends
- International Administration

The Board Chair asked the Executive Director to provide a copy of Mr. Decker's presentation to Board members.

Consent Agenda

The Board approved the following items on the consent agenda:

- Minutes of the January 26, 2011, Regular Board Meeting
- Request Review Committee Report

The Chair advised Board members that the proposed Board governance structure and social media will be deferred until the Board's July meeting.

**NASBA –
International
Education**

National Association of State Boards of Accountancy (NASBA) representatives, Johns Fields, Director, Project Management Office, and James Suh, Director, Continuous Improvement & Analytics, presented NASBA's solution to gaps encountered when evaluating international education such as lack of consistency and complex communication. NASBA plans to act as board liaison between boards and international education evaluation services providing quality control, knowledge sharing, and a central portal.

NASBA Update

Update - The Executive Director provided the Board with an update on NASBA activities including international education and NASBA's current focus on supporting state boards.

Western Regional Meeting – NASBA's Western Regional meeting will be held in Anchorage, Alaska on June 27-29, 2012. The Board Chair highly recommended Board member attendance. Members should contact Board staff for registration and help with travel arrangements.

Recommendation for Nomination of NASBA Director-at-Large - NASBA's nominating committee is calling for nominations for candidates for the 2012-2013 NASBA Board of Directors.

The Board voted to support the nomination of Dr. Raymond N. Johnson, CPA, of Oregon for the NASBA position.

Ed Jolicoeur is a member of NASBA's Nominating Committee. He recused himself and left the meeting room during the entire presentation, discussion, and vote of this agenda item. He does not endorse any candidate.

Rule Review

WAC 4-30-058 Does the board authorize the use of any other titles or designations? – The Board reviewed the proposed changes to rule WAC 4-30-058. After discussion, hearing concerns expressed by Gene Bell on behalf of the Washington Association of Accountants (WAA), and making a minor edit to the text, the Board voted unanimously to adopt the rule proposal as edited effective 31 days after filing with the Code Reviser. The Board thanked Judy Love and the Washington Society of CPAs for their work on this proposal.

WAC 4-30-130 What are the requirements for participating in quality assurance review (QAR)? – The Board directed staff to continue the rule-making process to amend the rule.

WAC 4-30-132 What are the program standards for CPE? - The Board reviewed the proposed changes to the rule and directed staff to file a CR-102 and schedule a hearing with WAC 4-30-130.

Motion for Entry of Order on Default – ACB-1334 – Steven M. Carlson, CPA

The Executive Director presented a Motion for Entry of Order on Default and related documents to the Board in the matter of Steven M. Carlson. The Board entered Findings of Fact, Conclusions of Law and Default Order suspending Mr. Carlson's CPA certificate and individual license to practice public accounting, and eligibility to register, renew or reinstate his firm license for five years.

Board Policies Review

The Board completed its annual review of all Board policies. Staff proposed minor changes to three policies to correct hyperlinks to NASBA's web site, align sanctioning with current delegation, and align publication of Board orders to reflect current technology.

The Board reviewed the proposed changes and adopted the following policies as revised effective April 26, 2012:

- 2002-1 Substantial Equivalency Jurisdictions
- 2002-4 International Reciprocity
- 2004-1 Sanction and Penalty Guidelines

The Board did not act on the following policies. The policies were therefore retained:

- 2000-1 Continuing Professional Education
- 2002-2 Expert Witness Services
- 2003-1 Safe Harbor Report Language for Use by Non-CPAs
- 2004-2 Exam Applicant Disability Documentation
- 2011-1 Principles Underlying Board Rules (to replace WAC 4-25-610)
- 2011-2 Interim Policy Guidelines Pending Rule Changes

Legal Counsel's Report

The Board's legal counsel was not able to attend the meeting.

Chair's Report

The Chair had nothing to report for this meeting.

Compliance Assurance Oversight Committee

Committee Chair Fred Shanafelt had nothing to report for this meeting.

**Education Exam
Task Force**

Elizabeth Masnari reported that task force chair Robin Clark, CPA, has resigned and other members may not be able to serve. With NASBA's current plan to liaison with international education evaluation service providers, the Board placed the activities of this task force on hold.

Ethics Committee

Tom Neill reported that the Washington State Executive Ethics Board approved the agency's ethics policy. Tom recently polled agency staff for compliance of with the state's ethics requirements.

**Legislative Liaison
Committee**

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

**Quality Assurance
Review (QAR)
Committee**

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

**Request Review
Committee**

The following report was approved under the consent agenda:

During the 1st quarter 2012, 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, 2011. At January 1, 2012, 29 of those requests were pending review:

Approved: 27

Withdrawn: 2

Firm Names - *Approved:*

- Anaya Associates PLLC
- Brajcich & Associates PLLC
- Burr Pilger Mayer, Inc.
- The CFO Group, Inc.
- Eastside Tax and Accounting, P.S. Inc.
- Kim's Accounting Firm PLLC
- Lamson & Associates, PLLC
- LW Tax & Accounting Services, Inc.
- M. Cloutier Carpenter PLLC
- PHBV Partners LLP
- PK LLP
- Pointguard Financial, PLLC

- Polito Eppich Associates LLP
- Propp Christensen Caniglia LLP
- Raisl & Company PS
- Vavrinek, Trine, Day & Co., LLP
- VSH, PLLC
- Zezoff Yuen & Co., CPAs

Late Fee Waivers - No activity during 1st quarter 2012.

Professional/Educational Organization - Recognition Requests - During the 1st quarter 2012, the Board did not receive any requests for recognition as an educational organization or professional association for purposes of obtaining a list of individual CPAs.

Domestic or Foreign Education Credential Evaluation Services – Applications:

Recognized:

- Academic Credentials Evaluation Institute, Inc. (ACEI)
- American Education Research Corporation (AERC)

Denied: None

Executive Director's Report

Budget – The Executive Director reported that the 2012 Legislature cut the agency's budget by \$168,000 primarily due to reductions in billing authority for auditor, legal, and archiving services.

CPE Deficiencies – All CPE extension requests were due on or before December 31, 2011. At January 1, 2012, three requests for extension of time to complete CPE of 16 hours and under were pending review: The Executive Director approved the three requests.

Pre Lapsed Reinstatement (PLR) - As of April 12, 2012 there were 123 individuals that have/or are going through the PLR processes:

- 118 processing or processed
- 4 who chose to let their status lapse
- 1 has been referred to enforcement for review due to back to back failures

The Executive Director reported that plans for 100% audit of CPE will be postponed until 2014 (the small renewal year).

Foreign Credit Evaluation Services – NASBA will be supporting the Board by liaising with international educational evaluation services.

Government Management, Accountability & Performance (GMAP) - The Executive Director reported.

Implementation of Board's Performance Review Task Force Recommendations – Most of the Board's recommendations are already implemented. The Executive Director had nothing to report for this meeting.

Investigation Statistics/Investigations & Administrative Sanctions

The Executive Director, provided the following reports to the Board:

- Case Status Report for the period ended March 31, 2012
- Investigations Results/Statistics through March 31, 2012, as posted on the Board's web site
- Investigation Statistics January 1990 through March 31, 2012

The Executive Director reported that he has identified six classes of public harm cases. He plans to categorize those cases more precisely in the future.

Renewal Cycle and Online Services – The Executive Director provided the Board with the following renewal statistics as of April 19, 2012:

Individuals

3062 renewing online – 92%
282 renewing via paper - 8%
2924 still to renew – 49%

Firms

292 renewing online – 83%
58 renewing via paper – 17%
534 still to renew – 60%

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

ACH = \$1,546,385 - 49%
AMX = \$329,246 –10%
Mas = \$329,296 – 11%

Vis = \$964,906 –30%
Total = \$3,169,833

The agency is enhancing the online application to allow for CPA firm registration. The Executive Director expects the enhancement to become available within the next three months.

Task Force Appointments – With the placement of the Education/Exam Task Force on hold, it is not necessary to make any appointments.

WBOA-News – As of April 19, 2012, 1769 individuals have subscribed. This is a net increase of 21 individuals since January 18, 2012 – 1%. The Executive Director is thinking about producing a newsletter in the future.

Staffing – Thomas Sadler resigned from his position in late February. The Executive Director is seeking a qualified CPA for the investigator position.

Given Tom's resignation, the Executive Director appointed Jennifer Sciba as Acting Deputy Director. Effective next week, Jennifer will become the agency's Deputy Director. Board Members expressed their congratulations to Jennifer.

Delegations of Authority

The Board completed its annual review of its current delegations and took the following action:

Executive Director – Charges, Subpoenas, Negotiate Settlement – The Board resolved to remove the Executive Director's authority to delegate any of these investigation related activities to the Deputy Director. The Board directed staff to revise the delegation for the Chair's signature and bring the delegation to the Board for review when the investigation post is filled.

Deputy Director – Investigation, Subpoenas, Negotiate Settlement – The Board revoked this delegation. The Board directed staff to bring the delegation to the Board for review when the investigation post is filled.

The Board retained the following delegations:

- CPE Waiver Extension Requests/Request Review Committee

- QAR Remedial Actions/Review of Publicly Available Professional Work
- Administrative Notices of Non-Compliance and Respondent Agreements

**International
Education Credential
Evaluation Service –
Application**

The Executive Director advised the Board of the receipt of an application from NASBA for recognition as an international education credential evaluation service. He asked that the Board waive its requirement for references from other state boards. The Board voted to recognize NASBA as an international education credential evaluation service.

Public Input

Judy Love, Director of Advocacy for the WSCPA invited the Board to the WSCPA's annual meeting scheduled for June 7, 2012.

Adjournment

The Board adjourned at 1:52 p.m.