

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of a Regular Meeting of the Board

Time and Place of Meeting	9:02 a.m. –1:55 p.m. Tuesday, January 22, 2013 The Doubletree Hotel Seattle Airport Cascade 12 18740 International Boulevard SeaTac, Washington
Attendance	Emily Rollins, CPA, Chair, Board Member Karen R. Saunders, CPA, Vice Chair, Board Member 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 Bruce L. Turcott, Assistant Attorney General, Board Adviser (Left at approximately 1:00 p.m.) Richard C. Sweeney, CPA, Executive Director Jennifer Sciba, Deputy Director Charles E. Satterlund, CPA, Director of Investigations Cheryl M. Sexton, Board Clerk
Public Rule-Making Hearing	<p>The Board held a public rule-making hearing from 9:02 a.m. to 10:10 a.m. The Board Chair presided. The Board proposed to amend:</p> <ul style="list-style-type: none">• WAC 4-30-050 What are the requirements concerning records and clients confidential information?• WAC 4-30-134 What are the CPE requirements for individuals? <p>The Executive Director presented a brief statement for each proposal.</p> <p>The Board received written comments from five individuals prior to the hearing. All comments addressed the proposed changes to WAC 4-30-134.</p> <p>The Board heard oral testimony on the proposed changes to WAC 4-30-134 from the following participants:</p> <ul style="list-style-type: none">• Mark Hugh, CPA• Rich Jones, CPA, President and CEO, Washington Society of CPAs (WSCPA)• Frank M. McCord, CPA• James Rigos, CPA

Minutes, January 22, 2013, Regular Board Meeting

The Board Chair announced that the Board would deliberate on the oral and written testimony and the proposed rules during its regularly scheduled Board meeting immediately following the hearing. The Board will notify all participants writing of the Board's decision regarding the proposed rules.

Call to Order

Board Chair, Emily Rollins, called the regular meeting of the Board to order at 10:28 a.m.

Minutes – October 23, 2012, Annual Board Meeting

The Board approved the minutes of the October 23, 2012, annual Board meeting as presented.

Social Media – Agency Draft

At its October 2012 meeting the Board adopted Policy 2012-1 – Social Media to establish the Board's position and guidelines concerning the proper business use of social media by employees. The Board directed staff to develop for Board consideration a framework to present a conservative one-way platform/plan to implement communication via social media.

The Executive Director presented a draft agency social media policy. The Board suggested the Executive Director implement the policy.

Rules Review

WAC 4-30-050 What are the requirements concerning records and clients confidential information? The Board voted unanimously to adopt the rule proposal with a minor change to the second paragraph of subsection 3. The rule will become effective 31 days after filing with the Code Reviser.

WAC 4-30-134 What are the CPE requirements for individuals? After discussing written comments and testimony, the Board postponed consideration of the rule proposal. The Board believes the current rule needs to be amended; but, based on testimony received, the content of ethics continuing professional education (CPE) and the need for Board approval need to be reconsidered. The Board directed staff to include the rule proposal on the Board's April meeting agenda. The Executive Director will survey credentialed persons impacted by the rule.

**CPA License
Reinstatement
Application –
Chun Hyong Lee**

In September 2007, the Board entered a Stipulation and Agreed Order against Chun Hyong Lee suspending Mr. Lee's CPA certificate and individual and firm licenses. On October 4, 2012, the Board received Mr. Lee's CPA License Reinstatement Application. After conducting a limited investigation that included a search for any criminal record or use of the title or holding out since the Board's suspension order, the Director of Investigations recommended to the Executive Director that the license be reinstated.

The Executive Director brought the application to the Board in compliance with the Board's April 2009 expressed desire, in cases of serious misconduct (public harm), to see the application and make the reinstatement determination.

Mr. Lee was present and answered questions of Board members. The Board met in closed session from approximately 11:05 a.m. until 11:22 a.m. After concluding the closed session, the Board voted to reinstate Mr. Lee's license in open public meeting. Ed Jolicoeur was the consulting Board member in the prior case against Mr. Lee and left the room during the closed session and abstained from voting. Bruce Turcott was the AAG prosecutor for the 2007 Agreed Order and did not advise the Board on this request for reinstatement and left the room during the closed session.

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:

- Whistleblowing – How serious is the issue of whether or not accountants can whistleblow?
- NASBA's response to the International Ethics Standards Board for Accountants' exposure draft – Responding to a Suspected Illegal Act
- Providing accounting services to an industry that is illegal under federal law

Don encouraged Board members to attend NASBA's 2013 annual meeting.

Vice Chair Nominations: Don and the Executive Director have received several requests for the Board's support from individuals seeking nomination for NASBA's 2013-2014 vice chair position. The Board asked the Executive Director to send letters to these candidates advising them that the Board is endorsing Walter Davenport.

Legal Counsel's Report

Bruce Turcott, the Board's legal counsel, advised the Board that the court has not yet issued its decision in the West matter.

Chair's Report

The Chair thanked and commended Don, Bob, and Lauren for their leadership as Board officers. She also thanked Don and Board staff for their help during the transition period.

The Chair expects to address the following items during her tenure:

- Foreign education
- Protocol for renewal of licensed staff
- Term of Board officers
- Executive Director annual evaluation – Don volunteered to help.
- Using the services of previous QAR Committee members who volunteered to help with Board committees

Executive Committee

The Chair included the Executive Committee's report in the Chair's report. The Board officers met with Don Aubrey and the Executive Director on Friday, January 11, 2013.

Compliance Assurance Oversight Committee

Emily Rollins, the prior Compliance Assurance Oversight Committee chair, reported that she attended the WSCPA's Report Acceptance Body (RAB) meeting telephonically on December 18. Ed Jolicoeur, the Committee chair for 2013, reported that the agreement the WSCPA has with the American Institute of CPAs (AICPA) prohibits Board members from participating on peer review oversight. The Board discussed having a subcommittee observe peer review compliance and report to the Committee. The Executive Director reported that Committee member Nina Gerbic is willing

to oversee the administration of the peer review process for engagement reviews. The Executive Director will ask Deidre Roberts if she is willing to oversee the administration of the peer review process for system reviews.

Legislative Liaison Committee

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

Quality Assurance Committee

Prior Committee co-chair Emily Rollins provided the Board with:

- Results of 2012 Continuing Professional Education (CPE) Audit
- CPE Audit Comparison for 2007-2012. The Chair noted that the 2012 Pulled for Audit numbers were 15 (2.8%) certificateholders and 110 (2.4%) licensees.

Emily thanked Kelly Wulfekuhle for getting the 2012 CPE audit done so quickly. She noted that with those individuals self-reporting deficiencies and reinstating during 2012, a total of 354 individuals were subjected to CPE audit during 2012.

Request Review Committee

Committee chair, Karen Saunders reported:

During the 4th 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, 2012. The Board received 57 requests for hours 17 or over. Of those:

- 37 were approved.
- 2 were approved due to natural disasters.
- 4 were withdrawn due to completion of hours prior to December 31, 2012.
- 2 were withdrawn when the individuals determined they did not meet the requirements for extension.
- 12 were denied and set to the pre-lapsed status for reinstatement requiring a \$250 additional application fee.

Minutes, January 22, 2013, Regular Board Meeting

Firm Names: Approved:

- Action Tax Service LLC
- Aretino Advisory Group PS
- CohnReznick LLP
- CPA Enterprise Solutions LLC
- EM & Co.
- GDM Private Financial Solutions
- HDW Bookkeeping
- Houck Evarts & Company LLC
- HS Mayken Co, LLC
- Ideal CPAs & Advisors
- Ishii & Associates, LLC
- JT Bolander CPA, PLLC
- MLJackson CPA LLC
- Patricia Pich, CPA Accounting and Consulting Services
- Price and Associates CPAS, LLC
- Raincity CPA LLC
- Reck & Associates, PLLC
- Shields Tax & CPA PLLC
- Thesman Professional Services P.C.
- Viridian & Company PLLC

Late Fee Waivers: No activity during 4th quarter 2012.

Professional/Educational Organization - Recognition Requests: *Recognized:* Lawline.com

Domestic or Foreign Education Credential Evaluation Services – Applications: During the 3rd quarter 2012, the Board received a request for recognition as an international education credential evaluation service from Educational Records Evaluation Service, Inc. (ERES). Board staff is currently evaluating the request. The Board didn't receive any requests during the 4th quarter 2012.

**State Ethics
Compliance
Committee**

Ethics advisor, Tom Neill, reported that he completed the 2012 confirmation of compliance with the agency's ethics policy and found no concerns.

Executive Director's Report

Budget Review: The Executive Director provided the Board with an update on the agency's budget. He reported that his management team is set, he is currently restructuring the agency to ensure timely response on all fronts, and he is planning to potentially hire two new persons. The Executive Director noted that the retirement of baby boomers is beginning to impact agency revenue. He is watching revenue closely.

CPE Deficiencies: The Executive Director reported that during 4th quarter 2012, the Board received 10 requests for extension of time to complete CPE of 16 hours and under. The Executive Director took the following action:

- 6 requests were approved
- 1 request was withdrawn due to completion of hours prior to 12-31-12
- 3 requests were denied and set to the pre-lapsed status for reinstatement requiring \$250 additional application fee

Executive Director Reappointment Application Process: The Executive Director reported that his reappointment is pending the Governor's action. The Governor's office advised him that he is to continue as the agency's acting director until further notice. He also reported that there will probably be a delay in the reappointment of Board members also.

Foreign Education Evaluations: The Executive Director reported that staff contacted all currently recognized foreign education services and requested them to reapply for recognition. Staff is currently calling all services to determine the volume of Washington State applicants for each service. The agency's CPA Examination Services (CPAES) coordinator advised agency staff that four providers submitted the most useful evaluation documents – two highly useful and two acceptable.

Implementation of Performance Review Task Force Recommendations: The Executive Director reported on the recommended centralization of records. The Deputy Director and the Director of IT and Data Communications

Minutes, January 22, 2013, Regular Board Meeting

will be testing 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:

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

Charles plans to reformat the case status report to include the goal to complete investigations in 180 days. He asked Board members to please email him with any comments on investigation reporting.

IT Integration: The Executive Director reported a delay in the IT integration project due to contractor unavailability. He expects the project to begin shortly and be finished by August or September.

Renewal: The Executive Director reported that as of January 15, 2013, 1382 individuals and 718 firms had renewed on line (99% of all renewal applications received). However, the Executive Director was advised subsequent to the Board meeting that only 140 firms had renewed online.

WBOA-News: As of January 15, 2013, 1841 individuals have subscribed. This is a net increase of 41 individuals since October 16, 2012 – 2%. The Executive Director plans to send quarterly Executive Director news briefs to all credentialed persons using Emma.

Other: It has come to the Executive Director's attention that CPA's providing forensic accounting services that require interviewing may not be exempt from the private investigator licensing requirements. The Executive Director plans to meet with the Department of Licensing.

Minutes, January 22, 2013, Regular Board Meeting

In December Don Aubrey and the Executive Director met with the Oregon Board of Accountancy's new Executive Director.

Public Input

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

Adjournment

The Board adjourned at 1:55 p.m.