

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of the Regular Meeting of the Board

- Time and Place of Meeting** 9:04 a.m. – 1:40 p.m. Thursday, January 27, 2011
Washington State Criminal Justice Training Commission
Classroom # C-220
19010 First Ave So
Burien, Washington
- Attendance** Donald F. Aubrey, CPA, Chair
Robert G. Hutchins, Vice Chair, Public Board Member
Lauren C. Jassny, Secretary, Public Board Member
Edwin G. Jolicoeur, CPA, Board Member
Elizabeth D. Masnari, CPA, Board Member
Emily R. Rollins, CPA, Board Member
Gerald F. Ryles, Public Board Member
Karen R. Saunders, CPA, Board Member
Laurie J. Tish, CPA, Board Member
Bruce L. Turcott, Assistant Attorney General
Thomas J. Sadler, CPA, Deputy Director
Cheryl M. Sexton, Executive Assistant
- Rules Hearing** The Board held a public rule-making hearing from 9:05 a.m. to 9:15 a.m. The Board proposed to amend and recodify two sections and add one new section:
- WAC 4-25-640 What are the requirements concerning records and clients confidential information?
 - WAC 4-30-051 What are the requirements concerning client records, including response to requests by clients and former clients for records?
 - WAC 4-25-670 What enforcement actions must be reported to the board

The Deputy Director presented the rule-making proposals.

Written Testimony

The Board received written comments from one individual prior to the hearing.

Oral Testimony

The Board heard oral testimony on the rules under consideration from Jerry Gintz, on behalf of the Washington Association of Accountants. Mr. Gintz provided Board members with a copy of the AICPA's Code of Professional Conduct Section 501 – Act Discreditable and interpretation.02 501-0—Response to requests by clients and former clients for records.

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 later in the day. All participants will be notified in writing of the Board's decision regarding the proposed rules.

Call to Order

Donald Aubrey, Chair, called the regular meeting of the Board to order at 9:23 a.m. The Chair announced that the Board would discuss the item under Tab M of the agenda during committee reports, specifically the legislative liaison's report, rather than under the legal counsel's report.

Consent Agenda

The Board approved the following items on the consent agenda:

- Minutes of the October 29, 2010, Annual Board Meeting
- Minutes of the January 3, 2011, Special Board Meeting
- Request Review Committee Report

Rules Review

The Board adopted the proposed rules (WAC 4-25-640, WAC 4-25-670, and WAC 4-30-051) as published in the CR-102.

The Chair offered to write an article for the Washington Society of CPAs (WSCPAs) and Washington Association of Accountants (WAA) explaining the rule and suggesting solutions for their members.

Performance Review Project Update

Robert Hutchins provided the Board with an update on the Performance Review Project and the Zwillinger Greek Zwillinger & Knecht PC (Contractor) request for extra payment for the merger report. He provided the Board with a draft second amendment to the consulting contract plus a related draft freeze exemption request. The proposed second amendment authorizes an additional payment for the merger report of \$10,310 plus payments for identified supplemental services of \$16,378, including consultation respecting implementation of the performance review report, expert testimony at any legislative hearing, and, if necessary consultation respecting implementation of a merger. Mr. Hutchins reported that the Department of Licensing had questions about reasons given for the second amendment. The Board approved the amended contract and related freeze exemption request as presented with the understanding that Mr. Hutchins would be talking to others and may change language to address concerns. Mr. Hutchins will transmit any changes to Board members for concurrence via e-mail.

**Roy A. Lentz –
Request for
Modification
Revocation
Order**

At its October 2010 meeting the Board considered Roy A. Lentz' request to suspend the remaining time limitations contained in the Stipulation and Agreed Order he entered into with the Board on April 12, 2004.

In addition to other things, the Stipulation and Agreed Order requires Mr. Lentz to serve at least nine years and six months of the revocation before the Board will consider an application for the CPA examination. Under those terms, Mr. Lentz would not be allowed to apply for the exam until October 12, 2013, provided he meets the current education requirement. Mr. Lentz advised the Board that he has some education requirements to fulfill in order to meet the Board's 150-hour education requirement.

After considering Mr. Lentz' request in Executive Session with legal counsel, the Board agreed to modify the Stipulation and Agreed Order to require Mr. Lentz to serve at least seven years of the revocation to permit him to take the CPA examination.

**Mark Ekern –
Inquiry
Concerning
Reinstatement**

On July 5, 2002, the Board entered into a Stipulation and Agreed Order with Mark Ekern. The Stipulation and Agreed Order revoked Mr. Ekern's CPA certificate for ten years as a result of Mr. Ekern's guilty plea and conviction of forgery and theft in the second degree. The revocation continues until Mr. Ekern:

- Complies with the current education, examination, experience, and ethical requirements
- Serves at least nine years of the revocation before the Board will consider an application for reinstatement.

Mr. Ekern asked if the Board would consider the reinstatement his CPA license once he meets the above requirements. He does not want to incur the significant costs of retaking the CPA exam if reinstatement is unlikely.

After considering Mr. Ekern's request in Executive Session with legal counsel, the Board determined the Board is not authorized to make a prospective decision. The Board directed the Executive Director to work with Mr. Ekern to help him determine what actions Mr. Ekern might consider to favorably effect a Board decision to reinstate his CPA license with the understanding that the Executive Director cannot bind the Board.

Education Evaluator – Foundation for International Services, Inc.

The Foundation for International Services, Inc. (FIS) requested Board recognition as an evaluator of international education. The Board resolved to recognize FIS as a foreign education evaluation service.

NASBA

Laurie Tish provided the Board with an update on National Association of State Boards of Accountancy (NASBA) activities including:

Recommendations for Nomination of NASBA Vice Chair

NASBA's nominating committee is calling for recommendations for vice chair of NASBA for the 2011-2012 year.

Recommendations are due to NASBA's Nominating Committee by early to mid March.

Ed Jolicoeur advised the Board he is a member of NASBA's Nominating Committee. He recused himself and left the meeting room during the entire presentation and discussion of this agenda item.

The Board supported the nomination of Gaylen Hansen of Colorado for the NASBA position. The Board directed Board staff to provide Board members with a copy of Mr. Hansen's resume. The Board directed the Executive Director to prepare a recommendation letter to NASBA's Nominating Committee for the Chair's review and signature.

Proposed Revisions to Uniform Accountancy Act (UAA) and UAA Model Rules

Section 3 and Article 14 - Firm Names - The AICPA/NASBA Uniform Accountancy Act (UAA) Committee is proposing revisions to the UAA and UAA Model Rules to add a definition of "Network" and "Network Firm" and provide guidelines on CPA firm names. The AICPA/NASBA UAA Committee is asking for comments by March 4, 2011.

The Board directed the Executive Director to write a letter expressing the Board's general support for adoption of the proposed changes to the UAA and related model rules.

Rule 3-1c – Attest – The AICPA recently issued a new standard (SSAE 16) that will supersede SAS 70. In mid January, NASBA's Board of Directors adopted a UAA Model Rule regarding the definition of "attest" to incorporate by reference the Statements on Auditing Standards (SAS) issued by the AICPA as they existed prior to the effective date of the changes to SAS 70.

The Board directed the Executive Director to draft a letter expressing the Board's acceptance of the proposed model rule but encouraging NASBA to contact the AICPA and request the AICPA to delay implementation.

Legal Counsel's Report Bruce Turcott, the Board's legal counsel, provided the Board with an update on outstanding litigation.

Chair's Report The Chair reported that Ed Jolicoeur, Jerry Ryles, and Karen Saunders volunteered to participate on a task force with other stakeholders charged with reviewing the Contractor's Performance Review Project recommendations and making recommendations to the Board. The Chair will liaison with the task force. The task force will consider members from the WSCPA's Best Practice Task Force for stakeholder participation.

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

Education Exam Task Force The Board approved the Education and Examination Task Force Charter as proposed. Elizabeth Masnari volunteered to liaison with this task force.

Legislative Liaison Committee Senate Bill 5095 and House Bill 1086 (the Governor's supplemental budget) propose a \$1 million sweep of the CPA fund balance. The Board discussed a letter drafted by Laurie Tish, Emily Rollins, and Robert Hutchins to the Governor and Legislature concerning the Governor's proposed supplemental budget. Laurie volunteered to rework the letter marked personal and confidential to the Governor only. The Board directed Board staff to send the revised letter to all Board members to inquire if they wish to have their signature affixed. If all members wish to sign, staff is to use agency letterhead. If even one member declines, staff will print the letter on plain white paper for delivery to the Governor.

Quality Assurance Review (QAR) Committee Committee co-chair Emily Rollins advised the Board that the Committee has been working hard to conclude on issues identified in the 2010 QAR and CPE review processes, as well as finalize Stipulation and Agreed Orders.

QAR Committee

The Board appointed the following individuals to serve on the Board's 2011 QAR Committee:

- Robert E. Speicher, CPA, Co-Chair
- James L. Holder, CPA, Vice Chair
- Christine Bogard, CPA
- James E. Coates, CPA
- Nina L. Gerbic, CPA
- Martin H. Oreschnigg, CPA
- David A. Stiefel, CPA

2010 CPE Audit

Emily reported that staff is currently auditing the CPE of 190 individuals and provided the Board with current statistics to date. Staff will provide the results of the review for the April meeting.

**Request Review
Committee**

The following report was approved under the consent agenda:

CPE Extensions – During 4th quarter 2010, 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: 7
Denied: 4
Pending: 1
Withdrawn: 4

Firm Names – The Executive Director and a Consulting Board member approved the following firm names during 4th quarter 2010:

- Washington Business Accounting & Tax, CPA, LLC
- Accounting Resource Group, LLC
- Petersen CPAS & Advisors, PLLC
- NSK CPA & Company
- Benchmark Accounting, PLLC
- Suncrest C.P.A. Services, P.S.
- MAS, Inc. – Certified Public Accountants
- VCB Consulting & Accounting Services
- Eastside Bookkeeping and Bellevue Bookkeeping-Tax

Late Fee Waivers – During 4th quarter 2010, the Board received no late fee waiver requests.

Professional/Educational Organization – Recognition Requests – During the 4th quarter 2010, the Board received three requests

for recognition as an educational organization or professional association for purposes of obtaining a list of individual CPAs. The Executive Director and a Consulting Board Member from the Request Review Committee took the following action:

Recognized:

- Panagiotu Pension Advisors, Inc.
- ClineSys

Denied:

Aging Options

**Executive
Director's
Report**

In the Executive Director's absence, the Deputy Director reported:

CPE Deficiencies - During 4th quarter 2010, the Board received three requests for additional time to complete CPE of 16 hours and under. The Executive Director took the following action:

Approved: 1

Withdrew: 2

New processes – The Deputy Director reported on new processes for communicating with licensees and certificate holders.

Coordination of Enforcement Recommendations and Actions – The Deputy Director provided the Board with the Executive Director's written report on steps he is taking to coordinate enforcement recommendations and actions.

Renewal Cycle and Online Services – The Deputy Director provided the Board with the following renewal statistics:

Individuals

1509 to renew this year
433 renewing online – 99.1%
4 renewing via paper
1,072 still to renew – 71%

Firms

236 to renew this year
32 renewing online – 97%
1 renewing via paper
203 still to renew – 86%

Investigation Statistics/Investigations & Administrative Sanctions
The Deputy Director provided the following reports to the Board:

- Case Status Report through December 31, 2010
- Investigation Statistics January 1990 through December 31, 2010

Expedited Rule-Making

The Executive Director filed expedited rule-making with the code reviser on January 19, 2011. Staff noticed reference to WAC 4-25 in the rules adopted by the Board in October. Since all but two rules in WAC 4-25 were recodified as WAC 4-30, it is necessary to fix these references. Additionally, the Board added a 17th standard to the listing in WAC 4-30-048; but, the rule contains two references to "subsections (1) through (16)." The Executive Director proposes fixing the references to "subsections (1) through (17)."

If no one objects before March 22, 2011, to the expedited rule making, the Executive Director will file a CR-103 to adopt these proposed changes.

Meeting with Board Officers – The Executive Director met with Board officers on Wednesday, January 19, 2011. The Chair reported.

WBOA-News – Board staff was not able to provide the Board with the number of individual subscribed to WBOA-News.

Revising Board Policies – Due to the recent changes to Board rules, some of the Board's policies contain references to rules that have been renumbered and in some cases amended. Staff placed the following language on the Board's web site:

(Please note, due to recent changes to Board rules, some of the policies listed below contain references to rules that have been renumbered and in some cases amended. Please refer to Page 3 of the rule-making order for a table with cross references. The Board is in the process of reviewing its policies and expects to complete the process by July 2011. If you need clarification and/or have questions, please contact us directly.)

The Board approved the Executive Director's recommendation to add:

Staff will interpret and implement the policies or portions thereof consistently with revised Board rules pending a complete policy review.

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Public Input During the course of the meeting, the Board heard public input from Judy Love representing the Washington Society of CPAs (WSCPAs).

Adjournment The Board adjourned at 1:40 p.m.