

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of the Regular Meeting of the Board

Time and Place of Meeting

9:04 a.m. – 2:08 p.m. Thursday, July 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, Secretary, Public Board Member
Edwin G. Jolicoeur, CPA, Board Member
Elizabeth D. Masnari, CPA, Board Member (Departed at approximately 1:00 p.m.)
Emily Rollins, CPA, Board Member (Arrived at approximately 9:27 a.m.)
Karen R. Saunders, CPA, Board Member
Richard C. Sweeney, CPA, Executive Director
Jennifer Sciba, Deputy Director
Cheryl M. Sexton, Board Clerk

Public Rule-Making Hearing

The Board held a public rule-making hearing from 9:04 a.m. to 9:14 a.m. Board Chair, Donald Aubrey, presided. The Board proposed to amend:

- WAC 4-30-130 What are the requirements for participating in quality assurance review (QAR)?
- WAC 4-30-132 What are the program standards for CPE?

The Executive Director presented a brief statement for each proposal.

Written Testimony

The Board received written comments from twelve individuals prior to the hearing.

Oral Testimony

The Board heard oral testimony on the rules under consideration from the following participants:

- Margery Jones, CPA, Sole Practitioner
- Rich Jones, CPA, President and CEO, Washington Society of CPAs (WSCPAs)

The Board Chair announced that the Board would deliberate on the oral and written testimony and the

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proposed rule during its regularly scheduled Board meeting following the hearing. 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 9:14 a.m.

Consent Agenda

The Board approved the following items on the consent agenda:

- Minutes of the April 26, 2012, Regular Board Meeting
- Request Review Committee Report

Motion for Entry of Findings of Fact, Conclusions of Law and Final Order Imposing Sanctions – ACB-1339 – In the Matter of: Akash Deep Sehgal

The Executive Director presented a Motion for Entry of Findings of Fact, Conclusions of Law and Final Order Imposing Sanctions and related documents to the Board in the matter of Akash Deep Sehgal. Mr. Sehgal, a non-CPA, violated RCW 18.04.345 and WAC 4-30-142(5)(c) when he represented to his employer that he was a CPA. The Board approved the proposed Findings of Fact, Conclusions of Law and Final Order Imposing Sanctions. The Board ordered Mr. Sehgal to pay \$30,000 fine, reimburse the Board \$5,500 for investigative and legal costs, and refrain from holding himself out to the public or assuming or using the CPA designation. Board staff will finalize the Final Order for the Chair's signature.

Rules Review

WAC 4-30-130 What are the requirements for participating in quality assurance review (QAR)? After discussing written comments and testimony, the Board determined peer review provides a more thorough review of financial statement reporting that includes the CPA's work papers and better protection for the public. The Board voted unanimously to adopt the rule proposal with minor changes to subsection 4(b). The rule will become effective 31 days after filing with the Code Reviser.

WAC 4-30-132 What are the program standards for CPE? The Board adopted the rule as proposed with an effective date 31 days after filing with the Code Reviser. Karen Saunders was not present for the vote.

Board Governance Structure

The Executive Director proposed that the Board retain its current structure, rename the Quality Review Committee to Quality Assurance Committee, and include specific proactive Board oversight of agency functional performance. Board adopted the Governance Structure as proposed. The Board will appoint chairs for each committee at its annual meeting in October.

Board Policy--2002-1 Substantially Equivalent Jurisdictions

The Executive Director provided the Board with the National Association of State Boards of Accountancy (NASBA) listing of states and jurisdictions identified as "Substantially Equivalent States." Several states do not currently meet the 150 semester hour education requirement; but these states passed legislation prior to January 1, 2012, to implement the 150 semester hour education requirement. The Executive Director is currently recognizing these states as substantially equivalent. The Board directed the Executive Director to draft changes to Section II of the Policy to conform practice to policy for the Board's consideration at its annual meeting in October.

NASBA Update

International Education Evaluation – The Executive Director provided the Board with background information on foreign education. The Executive Director asked the Board the following questions to be considered at the Board's October meeting:

1. Does the Board consider the level of secondary high school education in India required for college or university entry) relevant to either the requirements for the exam or for licensure?
2. Does the Board consider the accreditation by the Association of Indian Universities of courses and final examination of the Institute of Chartered Accountants of India acceptable to recognize the bachelor's degree status for exam or licensure (vs. the three-year commerce degree) whether or not the applicant attends graduate school in India?

Western Regional Meeting – The Executive Director reported on NASBA's Western Regional meeting held in Anchorage, Alaska on June 27-29, 2012. Don Aubrey, Ed Jolicoeur, Tom Neill, and the Executive Director

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attended. Don Aubrey was nominated as Pacific Regional Director. Elections will be held in October at NASBA's Annual meeting. The Executive Director recommended that Board members attend NASBA meetings. Ed Jolicoeur highly recommended that Board members consider volunteer service on NASBA activities. Such service is professionally beneficial and does not require an excessive amount of time or travel. The Executive Director advised Board Members there are no current restrictions on travel. Judy Love, Director of Advocacy for the WSCPA, commented that she believes Board Members would be pleased with the level of Washington State participation with NASBA.

Legal Counsel's Report

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

Chair's Report

The Chair:

- Provided Members with a listing of Board-approved CPE ethics and regulations courses. He reminded members that they may audit courses at no cost. Members should contact Board staff for scheduling and an audit checklist.
- Suggested the Board amend Board rule WAC 4-30-134 to include a new situational ethics course that could be taken, at the option of the licensee, to meet the ethics requirement after the first license cycle; retaining the current ethics course as a requirement for initial license and optional in subsequent renewal cycles; and having both ethics courses highlight changes in Washington State Board rules each year as well as other means of highlighting changes for licensees.
- Advised the Board that he has scheduled a meeting with Lisa Zolman, the agency's IT Manager, to discuss social media. The Chair expects to have a proposal ready for the Board's consideration at its October meeting.
- Advised the Board that he has scheduled a meeting with CPA interns to discuss the current disconnect between education required of those students on the CPA track and preparation for the CPA exam.

Compliance Assurance

Committee Chair Fred Shanafelt provided the Board with the Compliance Assurance Oversight Committee's annual

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**Oversight
Committee**

report on oversight of the AICPA Peer Review program administered by the Washington Society of CPAs. Fred was not able to attend the meeting. The Executive Director presented the Committee's report for Fred. The Executive Director recommended that the Committee reduce oversight on system reviews to one meeting per year and develop a strategy for the frequency of oversight on engagement reviews. He also suggested that a Board Member observe the WSCPA's oversight of its peer review program.

**Education Exam
Task Force**

The activities of the Education Exam Task Force are on hold.

Ethics Committee

The Ethics Committee had nothing to report for this meeting.

**Legislative Liaison
Committee**

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

**Quality Assurance
Review (QAR)
Committee**

Emily Rollins co-chair of the Quality Assurance Review (QAR) Committee presented the 2012 QAR desk review status report as of July 16, 2012. The committee plans to meet in August. She acknowledged an increase in "unacceptable" reports due to the SSARS 19 update. The committee will provide the Board with final results at the October meeting.

**Request Review
Committee**

The following report was approved under the consent agenda:

During the 2nd 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. Staff treated any extension requests received during 2nd quarter 2012 as self-reported CPE deficiencies and subject to reinstatement.

Firm Names - *Approved:*

- Auditwerx, Inc
- Ballard Beaccounters

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- Colville CPA
- Conture Business Advisors, PS.
- Evergreen Tax & Law, PS
- Ferguson Accounting Service
- Gallina Merrill Carlson LLP
- Gehring & Associates PLLC
- Gregory Tax Resolution & CPA Services PLLC
- Harrell and Widener
- Lake Stevens Tax and Accounting Company
- Linford & Company LLP
- Magnolia CPA
- McGladrey LLP
- Mesfin M. M. Certified Public Accountant
- Osmun CPA & Associates, LLC
- Randy Joseph Consulting
- Torp and Associates CPA PLLC

Late Fee Waivers - Total 96 = Approved 24 + Denied 72

- QAR - 5
 - o Approved 3
 - o Denied 2
- Firms - 22
 - o Approved 6
 - o Denied 16
- Individuals - 69
 - o Approved 15
 - o Denied 54

Professional/Educational Organization - Recognition Requests - During the 2nd 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 - During the 2nd quarter 2012, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

Executive Director's Report

Appreciation – Board Members expressed their appreciation for George (Fred) Shanafelt's service as chair of the Board's Compliance Assurance Oversight

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Committee. Fred has retired. Board Members signed a Certificate of Appreciation for delivery to Fred.

Budget – The Executive Director reported.

Government Management, Accountability & Performance (GMAP) - The Executive Director advised the Board that the agency is in compliance with its Performance Measures.

Implementation of Board's Performance Review Task Force Recommendations – The only outstanding recommendation to address is Implementation of an e-mail management system. The Executive Director reported the agency is waiting for an email vaulting solution from the Department of Enterprise Services.

Investigation Statistics/Investigations & Administrative Sanctions

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

- Case Status Report for the period ended June 30, 2012
- Investigations Results/Statistics through June 30, 2012, as posted on the Board's web site
- Investigation Statistics January 1990 through June 30, 2012

The Executive Director reported he is:

- Reorganizing the investigation process.
- Recrafting the memorandum for consulting Board members.

Renewal Cycle 2012" CPE Deficiencies/Pre-Lapsed Reinstatement and Online Services – The Executive Director presented the 2012 renewal cycle statistics and reported on criticism of the Board for not sending paper reminders or renewal notices prior to the April 30 due date. At least 1,014 individuals and firms failed to renew their practice licenses timely and incurred the \$100 late fee or failed to renew on or before June 30 resulting in the lapse of their credential.

Rich Jones, CPA, President and CEO, Washington Society of CPAs, commented that it is a problem for the

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profession to have so many out of compliance. He suggested the Board provide renewal reminders prior to the April 30 due date. He also suggested the Board reconsider the renewal process and move to a two-year renewal cycle based on birth year.

The Chair suggested that it would be helpful if the WSCPA let its membership know the Board discussed the renewal issue and would make changes, including use of paper notifications.

The Board discussed the following:

- Mailing at least three renewal notifications - one in December, to include CPE notification, one in April, and one in June.
- Continuing e-mail notifications but sending out a few more notifications in the April, May and June renewal period.
- Reminding licensees to set their spam filters to accept e-mail from the Board of Accountancy.
- Sending future e-mail notifications from the Board of Accountancy rather than from a staff member.

The Board committed to mailing at least one paper renewal reminder.

Staffing – The Executive Director advised the Board that he:

- Will post for the CPA investigator position next week. The person that fills this position will be a key member of the Executive Director's management team.
- Eliminated an investigator staff position – a budget decision.

WBOA-News – As of July 18, 2012, 1,792 individuals have subscribed. This is a net increase of 23 individuals since April 19, 2012 – 1.3%. The Executive Director reported that the agency is looking into using the assistance of NASBA to develop monthly newsletters for this Board, including tips to help licensees renew and pay online, for mailing to Washington's regulated CPA community.

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Public Input

The Board received input from the public throughout the meeting. Judy Love, Director of Advocacy for the WSCPA, advised the Board that the WSCPA plans to meet with gubernatorial candidates to discuss transition issues related to the CPA profession.

Adjournment

The Board adjourned at 2:08 p.m.