WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of a Meeting of the Board

Time and Place of Meeting

9:05 a.m. – 3:25 p.m. Friday, October 17, 2008
The Doubletree Hotel Seattle Airport, Evergreen 4 Room
18740 International Boulevard
SeaTac, Washington

Attendance

Edwin G. Jolicoeur, CPA, Chair
Laurie J. Tish, CPA, Vice-Chair
Gerald F. Ryles, Secretary
Donald F. Aubrey, CPA, Board Member
Robin A. Clark, CPA, Board Member
Lauren C. Jassny, Public Board Member
Mark W. Pearson, CPA, Board Member
Mary M. Tennyson, Senior Assistant Attorney General
Richard C. Sweeney, CPA, Executive Director
Thomas J. Sadler, CPA, Deputy Director
Diane M. Bren, CPA, Assistant Director of Operations and Investigations
Cheryl M. Sexton, Executive Advisor
Sharron O'Donnell, CPA, Special Guest

Call to Order

Edwin G. Jolicoeur, Chair, called the meeting to order at 9:05 a.m.

Consent Agenda

The Board unanimously approved the following items on the consent agenda as presented:

- Minutes of the July 17, 2008, Regular Board Meeting
- Request Review Committee Report

Delegations of Authority

The Board reviewed proposed changes to Delegations of Authority to:

- Update due to personnel changes
- Clarify the authority to negotiate proposed settlements
- Clarify Executive Director's authority to delegate

<u>Executive Director – Investigations/Subpoena</u>
A delegation providing the Executive Director with the authority to perform functions necessary in the investigation and disciplinary process:

- Sign, issue, and withdraw Statements of Charges or Statements of Intent to Deny
- Issue subpoenas, administer oaths, take testimony, and require submission of documentary evidence

- Negotiate settlement proposals during investigations
- Delegate the authority to the Deputy Director or other investigative personnel when the Executive Director is recused or not available

<u>Deputy Director or Assistant Director of Investigations – Investigations/Subpoena</u>
A delegation providing the Deputy Director or Assistant Director of Investigations as directed by the Executive Director authority to:

- Conduct investigations
- Negotiate settlement proposals
- Issue subpoenas, administer oaths, take testimony, and require submission of documentary evidence

<u>Executive Director – Administrative Sanctions</u>
A delegation providing the Executive Director with the concurrence of one Board member to:

- Issue Administrative Notice of Noncompliance
- Execute Respondent Contracts

<u>Withdrawal - Chief Investigator – Investigations - Dated January 27, 2006</u>
A delegation previously providing the Board's Strategic Advisor/Chief Investigator, Thomas Sadler, with authority to perform certain duties during the course of investigations under the direction of the Executive Director. This delegation was incorporated into the Board's delegation to the Executive Director to conduct investigations and is no longer necessary.

After discussion of each proposal, the Board voted unanimously to:

- Accept the proposed Delegations of Authority with minor adjustments
- Withdraw the January 27, 2006, delegation to the Chief Investigator

The Executive Director noted, for the record, that the proposed delegations more specifically identify the process staff currently follows to negotiate settlement during an investigation. The Executive Director does not operate in a vacuum. The proposed delegations recognize the filtering process through which an investigation travels. The investigator is directly in line with the Respondent, talking with the Respondent. The investigator's summary and recommended settlement is packaged in a final document and submitted to the Executive Director for consultation with one Board member. The Executive Director and Consulting Board Member ultimately decide the terms of the settlement proposal provided to the Respondent and then to the Board. To ensure no bias, one staff person provides the Board with court clerk support. That staff person, not the Executive Director or investigator, provides the Respondent's proposed settlement to the Board. That staff person is the only person who knows the vote of each individual Board member. If Board members have questions, that staff person researches the answer to the question and provides the question and response to every Board member considering the proposed settlement.

Board Policy Revisions

2002-1 Substantial Equivalency
Revised for consistency with the June 2008 mobility legislation, Substitute Senate Bill 6604.

2002-2 Expert Witness
Revised for consistency with the June 2008 revisions to the Public Accountancy Act and the September revisions to Board rules related to practice privileges.

2002-4 International Reciprocity
Revised to incorporate the Chartered Accountant credential granted by the Institute of Chartered Accountants of Saskatchewan

2003-1 Safe Harbor Report Language for Use by Non-CPAs
Revised for consistency with the June 2008 revisions to the Public Accountancy Act – a reference to a renumbered section of RCW 18.04.350.

2004-1 Sanction and Penalty Guidelines
Revised to clarify that the Executive Director consults with one Board member and adds "or designee" for consistency with current practice.

The Board accepted the proposed revisions to the policies as submitted and revised by the Board effective October 17, 2008. The Board directed staff to research the inclusion of Delaware as a substantially equivalent state in Policy 2002-1 and modify the policy accordingly.

Motion for Entry of Order on Default – Richard L. Nelson

The Executive Director presented the "Motion for Entry of Order on Default" and related documents in the matter of Richard L. Nelson to the Board. The Board entered Findings of Fact, Conclusions of Law and Default Order and directed staff to publish the Board's action in the Kennewick newspaper and serve the order on Mr. Nelson via a process service.

Agency Request Legislation

Z-0208.I Confidentiality of Accountancy Information
Provides for specific exemptions from the release of confidential information in the Board's possession that release to others would be objectionable. The Executive proposed this legislation to protect the private information of private citizens.

The Board authorized the Executive Director to move forward with the request legislation.

Z-0210.1 Prohibited Practices in Accountancy
Corrects a conflict between RCW 18.04.345 and RCW 18.04.195.

The Board authorized the Executive Director to pursue this request legislation.

Staff listed the Washington Association of Accountants (WAA) as a stakeholder supporting the proposed legislation. The WAA has not completed its review of the request legislation. Staff apologized for the oversight and will strike the WAA as a supportive stakeholder at this time.

NASBA

Government Referral Agency Task Force
Laurie Tish reported.

Accountancy Licensee Database (ALD)
Tom Sadler reported on the implementation of NASBA's ALD nationwide.

Legal Counsel's Report

Mary Tennyson, Senior Assistant Attorney General, provided the Board with an update on the pending lawsuits against the Board, advised the Board of her review of the proposed agency request legislation and Board policies. Ms. Tennyson advised Board members to preserve documents that may be responsive to outstanding requests for public records.

Chair's Report

Election of 2009 Officers

The Chair presented the following slate of officers to serve in 2009:

- Chair – Edwin G. Jolicoeur, CPA
- Vice-Chair – Gerald F. Ryles
- Secretary – Laurie J. Tish, CPA

The Executive Director suggested the chair serve at a minimum for two years for continuity.

No other nominations were made from the floor. The Board cast a unanimous vote for the slate of officers as presented. The new officers will assume their duties January 1, 2009. The Chair thanked all for their service.

2009 Board Meeting Locations and Dates
The Board established the following schedule for the 2009 Board meetings:

- January 27, 2009, Tuesday - SeaTac
- April 21, 2009, Tuesday - SeaTac
- July 28, 2009, Tuesday – SeaTac
- October 22, 2009, Thursday – SeaTac

Committee Assignments
Board members volunteered for committees as follows:

- Quality Assurance Review (QAR) Committee – Mark Pearson
- Rule Review Task Force – QAR – Mark Pearson
- Rule Review Task Force - Electronic Records – Don Aubrey
- Rule Review Task Force- Experience – Robin Clark

During the lunch break, former Board member, Sharron O'Donnell, joined the Board. The Board Chair recognized Sharron for her service and presented her with a plaque.

CPA Exam Liaison Committee

No report.

CPE Committee

No report.

Education Rule Review Committee

No report.

Mobility Committee

Laurie Tish provided an update on the status of mobility legislation nationwide.

Legislative Liaison Committee

No report.

Outreach Committee

No report.

Policy and Rule Review Committee

The Policy and Rule Committee has never convened. The Board dissolved this committee.

Practice Review Committee	Thomas J. Sadler, CPA, Committee Chair, reported on the progress of the establishment of the "Compliance Assurance Oversight Committee." Quality Assurance Review Committee participants, Christine Bogard, CPA, Jason Filippini, CPA, and Nina Gerbic, CPA, have agreed to serve on the Committee. Fred Shanafelt agreed to serve as Committee Chair. He is currently under contract with the Board. Mr. Shanafelt was in attendance and provided the Board with his professional history and reported the Committee had met once. The Washington Society of CPAs (WSCPA) is very supportive.
Qualifications Committee	No report.
Quality Assurance Review (QAR) Committee	Rick Sweeney, Executive Director, reported that of the 28 reports graded "unacceptable", eight were referred to enforcement.
Request Review Committee	The following report was approved under the consent agenda: <u>CPE Extensions</u> – The Board did not receive any waiver requests where the CPE deficiency was more than 16 CPE credit hours since the July 2008 Board meeting. <u>Firm Names</u> – The Board did not receive any requests for firm name approval since the July Board meeting. <u>Late Fee Waivers</u> – The Board did not receive any late fee waiver requests since the July 2008 Board meeting. <u>Professional/Education Organization – Recognition Requests</u> – Since July 2008, the Board received one request for reconsideration of the decision to deny recognition as an educational organization for purposes of obtaining lists of individual CPAs from "MacKenzie, Patterson Fuller, LP." The Executive Director and a Consulting Board Member from the Request Review Committee granted this request.
Executive Director's Report	<u>Meeting With Board Officers</u> The Executive Director reported on his meeting with Board officers on September 15, 2008. <u>CPE Extensions</u> (16 hours and under) – The Board has not receive any request for extension of time to complete CPE hours since the July 2008 Board meeting.

WBOA-News – As of October 17, 2008, 1,296 individuals have subscribed. This is a net increase of 13 individuals (1%) since July 18, 2008. The Executive Director said he hopes to get a "real" (more detailed) newsletter out in the near future.

Investigation Management Report – The Executive Director presented the "Case Status Report" and the "Activity Analysis of Administrative Violations Report" for the Board's review. He noted there is a decline in outstanding cases, but we will likely see an increase in the near future due to staff workload on some very large public records requests and litigation.

Status of Online Services and Web Site Redesign
Currently, the Executive Director expects the agency's web site will be redesigned by the end of the year, and online services will be available by December 2009. Robin Clark, Board Member, and Judy Love, from the Washington Society of CPAs, volunteered to review the redesigned web site before launch.

Recurring Canadian Issues -
The Executive Director reported on several recurring Canadian practice issues Board staff is encountering. The Executive Director will continue to research, ask the Board's legal counsel to review, and bring the questions back to the Board. Rich Jones, Washington Society of CPAs President and CEO, asked the Executive Director to share his research with the Society.

Public Input

Gerald Miller, as a citizen of Washington State, requested that the Board open an investigation into Washington Mutual's audit reports. The Executive Director asked Mr. Miller if it was his intent to file complaint. Mr. Miller indicated that was his intent.

Executive Session With Legal Council

At about 2:00 p.m., the Board and legal counsel went into executive session to discuss pending and potential litigation. The Board did not take any action.

Adjournment

The Board adjourned at 3:25 p.m.

Secretary

Chair

Vice-Chair

Robin Clark

Member

Member

Member

Member

Member

Member