

WASHINGTON STATE BOARD OF ACCOUNTANCY

Unapproved Draft - Minutes of a Meeting of the Board - Unapproved Draft

Time and Place of Meeting	9:07 a.m. – 3:20 p.m. Friday, July 18, 2008 The Heathman Lodge, Klickitat Room 7801 NE Greenwood Drive Vancouver, Washington
Attendance	Edwin G. Jolicoeur, CPA, Chair Laurie J. Tish, CPA, Vice-Chair Gerald F. Ryles, Secretary Donald F. Aubrey, CPA, Board Member Robert G. Hutchins, Public Board Member Lauren C. Jassny, Public Board Member Mark W. Pearson, CPA, Board Member Ronald D. Sabado, CPA, Board Member Richard C. Sweeney, CPA, Executive Director Thomas J. Sadler, CPA, Strategic Advisor Sandra K. Shoemaker, CPA, Deputy Director Diane M. Bren, CPA, Chief Investigator Cheryl M. Sexton, Executive Assistant Lori Mickelson, Internal Financial and GMAP Data Manager Jennifer Sciba, Customer Service Specialist
Call to Order	Edwin G. Jolicoeur, Chair, called the Board meeting to order at 9:07 a.m.
Rules Hearing	The Board held a public rule-making hearing from 9:07 a.m. to 10:45 a.m. on the following 28 rule proposals: <ul style="list-style-type: none">• WAC 4-25-400 What is the authority for and the purpose of the board's rules?• WAC 4-25-410 Definitions• WAC 4-25-520 What public records does the board maintain?• WAC 4-25-521 How can the board be contacted?• WAC 4-25-540 What rules govern the proceedings before the board?• WAC 4-25-550 Do I need to notify the board if I change my address?• WAC 4-25-551 Must I respond to inquiries from the board?• WAC 4-25-610 Which rules govern the conduct of CPAs, CPA-Inactive certificateholders, CPA firms, and firm owners?• WAC 4-25-620 What are the requirements concerning integrity and objectivity?• WAC 4-25-622 When must a CPA or CPA firm be independent?

- **WAC 4-25-626** What restrictions govern commissions, referral, and contingent fees?
- **WAC 4-25-630** What are the requirements concerning competence?
- **WAC 4-25-631** With which rules, regulations and professional standards must a CPA, CPA firm and firm owner comply?
- **WAC 4-25-640** What are the requirements concerning records and clients confidential information?
- **WAC 4-25-650** What acts are considered discreditable?
- **WAC 4-25-660** What are the limitations on advertising and other forms of solicitation?
- **WAC 4-25-670** What enforcement actions must be reported to the board?
- **WAC 4-25-735** How does a CPA-Inactive certificateholder apply for licensure?
- **WAC 4-25-745** How do I apply for an initial CPA license?
- **WAC 4-25-746** How do I apply for a Washington state CPA license if I hold a valid CPA license in another state?
- **New section WAC 4-25-747** Must an individual holding a license from another state apply and obtain a Washington state license to hold out and practice in Washington state?
- **WAC 4-25-750** What are the CPA firm licensing requirements?
- **WAC 4-25-752** How do I register to be a resident nonlicensee owner of a licensed firm and with which rules must a nonlicensee firm owner comply?
- **New section WAC 4-25-753** Must a firm holding a license from another state apply and obtain a Washington state license to hold out and practice in Washington state?
- **Repealer WAC 4-25-756** I am licensed in another state – How do I notify the board of my intent to enter the state in order to obtain practice privileges in the state of Washington?
- **WAC 4-25-820** What are the requirements for participating in quality assurance review (QAR)?
- **WAC 4-25-830** What are the CPE requirements?
- **WAC 4-25-910** What are the bases for the board to impose discipline?

Written Testimony

Written comments were received from:

- Washington Association of Accountants (Jerry Miller)
- Managing partners of the Seattle offices of Deloitte LLP, Ernst & Young LLP, Grant Thornton LLP, KPMG LLP, and PricewaterhouseCoopers LLP. (Rich Jones, CPA)

The Board reviewed the written comments and asked questions of the representatives of each organization.

Oral Testimony

The following individuals provided oral testimony on the rules under consideration:

- Jerry Miller, Washington Association of Accountants
- Rich Jones, CPA, President and CEO, Washington Society of CPAs

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.

**Consent
Agenda**

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

- Minutes of the June 27, 2008, Special Board Meeting
- Request Review Committee Report

The Board unanimously approved the minutes of the April 25, 2008, Regular Board Meeting with one correction.

NASBA

CPAES/Prometric Presentation

Patricia Hartman of NASBA and Kimberly Farace of Prometric made a presentation to the Board explaining the processes their organizations use to administer the computerized uniform CPA examination.

NASBA Western Regional Meeting

The Chair announced that Laurie Tish was elected to serve as the Pacific Regional Director of NASBA, and Ed Jolicoeur was elected to serve on NASBA's Nominating Committee.

Accountancy Licensee Database (ALD)

The Executive Director, Rick Sweeney, reviewed the progress of the ALD implementation nationwide with the Board. Rick also announced that he and the agency's IT Manager, Lisa Zolman, currently serve on NASBA's ALD Task Force.

**Rules
Review**

The Board deliberated on the public testimony (written and oral) received for the 28 proposed rules currently under consideration.

After discussion, the Board unanimously voted to adopt the proposed rules with minor changes to WAC 4-25-410, WAC 4-25-540, WAC 4-25-622, WAC 4-25-626, WAC 4-25-660, WAC 4-25-747, WAC 4-25-753 and WAC 4-25-910 to be effective 30 days after filing. The motion is contingent on the concurrence of Mary Tennyson, Senior

Assistant Attorney General, that the Board believes these minor changes are not substantive changes since they do not change the general subject matter of the proposed rules.

The Executive Director noted that due to the minor changes made by the Board, conforming changes will be required to WAC 4-25-910.

The Board will begin the process of a comprehensive review of its rules to include suggestions discussed. This review will be completed no later than July 2009.

Board Policy Revisions

The Board reviewed the proposed changes to the following Board policies:

- 2000-1 Continuing Professional Education
- 2006-1 Directions to Staff

The Board adopted the policies as revised effective July 18, 2008.

Education Credential Evaluators

Academic & Credential Records, Evaluation & Verification Service (ACREVS Inc.)

The Board reviewed a request from ACREVS Inc. for Board recognition as a foreign education credential evaluation service.

During the discussion, the Board determined that it is not necessary for evaluation service applicants to be members of the National Association of Credentials Evaluation Services (NACES) in order to be considered for recognition by the Board.

After discussion, the Board unanimously voted to recognize ACREVS Inc. as a foreign education credential evaluation service if ACREVS Inc. agrees to modify section 1.0 of their procedures to accept only original official transcripts directly from the institution of higher education as acceptable documentation.

Education Credential Evaluation Service (EDUCES)

The Board reviewed a request from EDUCES for Board recognition as a U.S. education credential evaluation service. After discussion, the Board unanimously voted to recognize EDUCES as a U.S. education credential evaluation service if EDUCES agrees to modify their procedures to accept only original official transcripts directly from the institution of higher education as acceptable documentation.

RCW 19.295

Rick Sweeney, Executive Director, advised the Board regarding RCW 19.295 concerning estate distribution documents. Rick reported that he met with Douglas Walsh, Chief, Consumer Protection Division of the Attorney General's office concerning this new RCW, and that an informal opinion will be issued stating that this RCW does not impact CPAs.

**Legal
Counsel's
Report**

No report.

Chair's Report

Governor Appointments

Ed Jolicoeur, Chair, announced that Robert Hutchins was appointed to the Board on June 6, 2008. Governor Gregoire also reappointed Laurie Tish to a fourth term. Their terms are effective through June 9, 2011. The Chair acknowledged and thanked Sharron O'Donnell for her service and leadership. She will be missed.

Committee Assignments

There are currently vacancies on the Board's Policy and Rule Review Committee, Qualifications Committee, and Quality Assurance Review (QAR) Committee that will need to be filled by current Board members. The officers will meet to discuss these vacancies and report to the Board in October. Mark Pearson volunteered to serve on the QAR Task Force.

**CPA Exam
Liaison
Committee
CPE
Committee**

No report.

No report.

**Education
Rule Review
Committee**

The following documents were presented to the Board for review:

- UAA Model Rules 5-1 and 5-2 April 2008
- Draft NASBA 120/150 Discussion

The Chair asked that the Board members review these documents carefully and be prepared to discuss them at the October meeting.

**Mobility
Committee**

No report.

**Legislative
Liaison
Committee**

No report.

**Outreach
Committee**

No report.

**Policy and
Rule Review
Committee**

No report.

Practice Review Committee	Thomas J. Sadler, CPA, Committee Chair presented a proposal to establish a "Compliance Assurance Oversight Committee." After discussion, the Board voted unanimously to establish this committee and directed Mr. Sadler to pursue the proposal with the Washington Society of CPAs (WSCPA).
Qualifications Committee	No report.
Quality Assurance Review (QAR) Committee	<p>Sandra Shoemaker, Deputy Director, reviewed the preliminary results of the 2008 QAR desk review session with the Board. Several QAR Committee members will meet again on July 30, 2008, to perform the final review of those files that received a preliminary grade of "unacceptable."</p> <p>Rick Sweeney, Executive Director, commended Jennifer Sciba for her outstanding work on administering the 2008 QAR program.</p>
Request Review Committee	<p>The following report was approved under the consent agenda:</p> <p><u>CPE Waivers</u> – The Board received one waiver request where the CPE deficiency was more than 16 CPE credit hours since the April 2008 Board meeting. The Executive Director and a Consulting Board Member denied the request.</p> <p><u>Firm Names</u> – The Board received three requests for firm name approval since the April 2008 Board meeting. The Executive Director and a Consulting Board Member from the Request Review Committee approved the following firm names:</p> <ul style="list-style-type: none">• GHP Horwath, PC• Business – Tax and Accounting Systems, Inc.• USJ Accounting and Consulting, LLC <p><u>Late Fee Waivers</u> – The Board received three late fee waiver requests since the April 2008 Board meeting. The Executive Director approved two of these requests, and denied one of the requests.</p> <p><u>Professional/Education Organization – Recognition Requests</u> – Since April 2008, the Board received one request from "MacKenzie, Patterson Fuller, LP" for recognition as an educational organization for purposes of obtaining lists of individual CPAs. The Executive Director and a Consulting Board Member from the Request Review Committee denied this request.</p>

**Executive
Director's
Report**

Meeting With Board Officers

Rick Sweeney announced that the meeting scheduled prior to the Board meeting was cancelled. These meetings will occur quarterly in the future.

WBOA News – As of July 18, 2008, there are 1,283 individuals that have subscribed. This is a net increase of 27 individuals (2%) since April 25, 2008. The Executive Director reported that a list of lapsed licensees and certificateholders was published in the last issue. These names will be posted to the Board's web site for 90 days.

Investigation Management Report – Rick Sweeney presented the "Case Status Report" and the "Activity Analysis of Administrative Violations Report" for the Board's review. Rick noted that the investigations unit is maintaining the investigations workload on cases in spite of an on-going public records request that is requiring significant staff time.

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 the fall of 2009.

Other

The Governor's office authorized the Executive Director to take possession of the client records of Charles Benton for safe keeping and return to the clients. Benton was evicted from his Tacoma office for nonpayment of rent on July 3, 2008. Benton's confidential client records and computers were placed by the street upon his eviction. Some hard copies of tax returns and records were recovered. A press release will be issued today.

Next Meeting

The Executive Director will report on the following at the Board's October 2008 meeting:

- Tribal Consents to Cooperative Agreement for Board Authority
- Agency Budget Report
- Executive Director Fiscal Year 2008-2009 Priorities
- Staff Changes

**Executive
Session With
Legal Council**

None

Minutes, July 18, 2008, Board Meeting

- Public Input** The following individuals provided public input:
- Jerry Miller, Washington Association of Accountants
 - Rich Jones, CPA, Washington Society of CPAs

Adjournment The Board adjourned at 3:20 p.m.

Secretary

Chair

Vice-Chair

Member

Member

Member

Member

Member

Member