

WASHINGTON STATE BOARD OF ACCOUNTANCY

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

Time and Place of Meeting	9:01 a.m. - 2:02 p.m. Friday, July 28, 2017 J.A. Cherberg Building, Capitol Campus Senate Hearing Room 3 304 15 th Ave SW Olympia, Washington 98501
Attendance	<u>Board Members</u> Thomas G. Neill, CPA, Chair, Board Member Elizabeth D. Masnari, CPA, Vice Chair, Board Member James R. Ladd, CPA, Secretary, Board Member Emily Rollins, CPA, Board Member Karen R. Saunders, CPA, Board Member Rajib Doogar, Public Member Mark Hugh, CPA, Board Member Joel Cambern, Public Member <u>Staff and Advisors</u> Charles E. Satterlund, CPA, Executive Director Bruce L. Turcott, Assistant Attorney General, Board Advisor Jennifer Sciba, Deputy Director Kirsten Donovan, Board Clerk Taylor Shahon, Lead Investigator
Call to Order	Board Chair, Tom Neill, called the regular meeting of the Board to order at 9:02 a.m.
Washington State Executive Ethics Board – Board Member Training	Dan Davis, Investigator, Washington State Executive Ethics Board, conducted Board Member ethics training including a question and answer session at the end.
Minutes – April 28, 2017, Regular Board Meeting	The Board approved the minutes of the April 28, 2017, Board meeting as presented.
NASBA	The Board Chair discussed the following NASBA activities from the Western Regional meeting: <ul style="list-style-type: none">• Status of the Non-Compliance with Laws and Regulations (NOCLAR) Rule NASBA's recommendation is that the issue should be moved to the Uniform Accountancy Act (UAA) committee for consideration.

- Update on the CPE Model Rules

The UAA task force is currently reviewing the comment letters received and considering possible revisions. An implementation letter may be forthcoming. More information will follow at the October 2017 Board meeting.

Gary Bowe advised that the Washington Association of Accountants and Tax Preparers (WAATP) submitted a comment letter which expressed concern regarding approved CPE providers.

Kevin Hettick asked if the Board has begun discussions on Board Rule revisions yet. The Board Chair advised that the Board is waiting for the CPE Model Rules to be finalized before taking action.

- Regional Breakout – California Firm Mobility Sunsets in 2018, Unless They Extend

No action has been taken yet to extend.

- Use of Title, AICPA Branding, and Name Addition – Association of International Certified Professional Accountants, and the Title “Chartered Professional Accountant”

The consensus among NASBA conference participants is that the use of the Certified Global Management Accountant (CGMA) title should not be permitted. NASBA and the AICPA are at odds over the issue with NASBA against its use and the AICPA for its use.

Mark and Jim will work on gathering information from Board Statute and Rules related to the title use of Chartered Professional Accountant (CPA, Canada) in Washington and present their findings at the October 2017 Board meeting.

- National Trends in Anti-regulation Legislative Activity

Mark reported that many national think tanks are promoting “rights to lawful employment” with less regulation.

- Peer Review

Mark reported that changes to the AICPA peer review program has upset many firms since they will have to find a new peer reviewer.

- Executive Director and Deputy Director trip to NASBA headquarters

Charles and Jennifer discussed NASBA International Evaluation Services (NIES) reports, CPA Exam Services (CPAES), natural disaster back-up, and social media during their recent visit to Nashville.

Rules Review

WAC 4-30-010 Definitions

The Executive Director presented a draft and led the discussion on possible revisions to the rule. The revisions include adding a definition for authorized person and deleting the numbering of the definitions.

The Board directed staff to file a CR-101 for the rule and add the rule as an agenda item for the next Board meeting.

WAC 4-30-024 What public records are available?

The Executive Director presented a draft and led the discussion on possible revisions to the rule. Rule changes are necessary related to the passage of EHB 1595 which amends the fee structure for public records. The changes went into effect July 23, 2017. The draft revision to the rule eliminates the charge for copies of public records. Additionally, the rule has been renamed.

The Board directed staff to file a CR-101 for the rule and add the rule as an agenda item for the next Board meeting.

WAC 4-30-038 Fees

The Executive Director presented a draft and led the discussion on possible revisions to the rule. Rule changes are necessary related to the passage of EHB 1595 which amends the fee structure for public records. The changes went into effect July 23, 2017. The draft revision to the rule eliminates the charge for copies of public records. Additionally, the rule has been renamed.

The Board directed staff to file a CR-101 for the rule and add the rule as an agenda item for the next Board meeting.

WAC 4-30-050 What are the requirements concerning records and clients confidential information?

The Executive Director presented a draft and led the discussion on possible revisions to the rule. The revisions incorporate aspects of the AICPA Code of Professional Conduct into the rule and rename the rule.

The Board directed staff to file a CR-101 for the rule and add the rule as an agenda item for the next Board meeting.

WAC 4-30-051 What are the requirements concerning client records, including response to requests by clients and former clients for records?

The Executive Director presented a draft and led the discussion on possible revisions to the rule. The revisions incorporate aspects of the AICPA Code of Professional Conduct into the rule and rename the rule.

The Board directed staff to file a CR-101 for the rule and add the rule as an agenda item for the next Board meeting.

WAC 4-30-140 What are the authority, structure, and processes for investigations and sanctions?

The Executive Director presented a draft and led the discussion on possible revisions to the rule. The revisions clarify the delegation of authority to the Executive Director, simplify, and rename the rule. The revisions allow for establishing policies to define the responsibilities, process, and procedures for performing investigations and resolving disciplinary matters.

The Board directed staff to file a CR-101 for the rule and add the rule as an agenda item for the next Board meeting.

Board Policies

Board Policy 2004-1 Sanction and Penalty Guidelines

The Executive Director presented a draft and led the discussion on possible revisions to the policy. The revisions simplify and rename the

policy, which authorizes the Executive Director to resolve certain violations through administrative process.

The Board voted unanimously to revise the policy as written.

Proposed New Policy Discussion – 2017-1 Investigative and Disciplinary Processes

The Executive Director presented a draft and led the discussion on proposed new policy. The purpose of the policy is to define and make available the Board’s investigative and disciplinary process.

The Board voted unanimously to adopt the new policy with one revision.

Delegation of Authority – Discussion of Proposed New Delegation

The Executive Director presented a draft and led the discussion on the proposed new delegation of authority. The delegation would authorize the Executive Director to file CR-101s with the Office of the Code Reviser to begin the rule-making process for revisions to current rules and proposed new rules.

The Board voted unanimously to adopt the new delegation of authority as written.

Chair’s Report

Update of Canadian Cross Border Initiative

The Board Chair reported that Richard Rees, Chief Executive Officer, Chartered Professional Accountants British Columbia (CPABC) recently retired. Tom will keep everyone posted as we move forward.

Peer Review and Board’s Role in Oversight

The Board Chair led the discussion on firms that receive a pass with deficiency (PWD) or fail rating on their peer review. The concern is public safety and what disciplinary action should the Board take, if any, and at what point.

Tom, Karen, and Jennifer will work together on reviewing a process for disciplinary actions. The topic will be added to the October Board meeting agenda.

Marijuana Businesses and How to Respond to Questions

The Board Chair led the discussion on CPAs with clients in the marijuana industry. One of the key issues is client acceptance – know who you are dealing with when taking on a client in the industry. Additional concerns have arisen, as the new administration's position is not yet clear and federal prosecution could cause Board enforcement action.

Cloud Storage and Client Records

The Board Chair advised that the recent Board newsletter article regarding third party record storage has caused some pushback. Some tax software has automatic Cloud storage. Several CPAs have emailed concerns regarding the Board Rules on this subject. The Board is currently in the Rule-making process for the Rules related to client records. See Rules Review above.

Executive Committee

The Board Chair reported that he and the other committee members had a teleconference to discuss the Board meeting agenda.

Compliance Assurance Oversight Committee

Karen Saunders had nothing to report.

Legislative Review Committee

Tom Neill advised that the committee had nothing to report.

Quality Assurance Committee

Tom Neill had nothing to report.

Request Review Committee

Elizabeth Masnari reported:

Firm Names: *Approved:*

- JACKI A. FATH, CPA, MSA PLLC
- CASCADES CPA
- CADRE CPAS PLLC
- OPP ENTERPRISES, P.S
- M SQUARED TAX PLLC
- DENTAL ACCOUNTING PROFESSIONALS LLC
- ROBINSON, CPA TAX SERVICES, LLC
- APRIO, LLP
- SUNRISE BUSINESS SERVICES LLC
- ROBINSON, CPA & TAX SERVICES, LLC

ROMNEY FINANCIAL FORENSICS, LLC
THE FRANCIS GROUP, PLLC

Professional/Educational Organization – Recognition Requests

During the 2nd quarter 2017, the Board did not receive any requests for recognition of an educational organization for purposes of obtaining list requests.

Domestic or Foreign Education Credential Evaluation Services – Applications

During the 2nd quarter 2017, the Board did not receive any requests for recognition of domestic or international education credential evaluation services.

**State Ethics
Compliance
Committee**

Jim Ladd had nothing to report.

**Qualifications
Committee**

Emily Rollins had nothing to report.

**Performance Review
and Succession
Committee**

Emily Rollins had nothing to report.

**Social Media
Committee**

The Executive Director and Deputy Director led the discussion which included:

- NASBA support with a Board Facebook account
- Purpose for a Board Facebook account: inform and communicate with students and CPAs
- Potential drawbacks: public records issues and out-of-hand posts

The Board voted unanimously to work towards setting up a Board Facebook page.

**WSCPA Education
Fund Committee**

Elizabeth Masnari had nothing to report.

**Legal Counsel's
Report**

Bruce Turcott, the Board's legal counsel, reported that no lawsuit has been filed in relation to the recent Tort claim against the Board.

Executive Director's Report Budget Status

The Executive Director presented the Allotment Expenditure/Revenue BTD Flexible Report, the Certified Public Accountant's Account Fund Balance, and the CPA Scholarship Transfer Account Fund Balance for transactions run through July 3, 2017.

The Executive Director led a discussion on the Board becoming a non-appropriated agency, if possible. Staff will prepare a report of pluses and minuses for presentation at the October Board meeting.

Paul Bitar, Senior Financial Consultant, Department of Enterprise Services (DES), reported on agency accounting. He stated that the Board is in good standing financially. The 2017-2019 biennium appropriated budget is \$2.9 million with expected expenditures of \$2.6 million.

Board's Response to NASBA/AICPA Feedback Regarding CGMA

The Executive Director reported that WAC 4-30-058 allows for use of titles authorized by the AICPA, so the CGMA title is allowed by Board Rule. Charles will submit a response letter.

Virtual Offices

The Executive Director led a discussion on CPA firms with virtual offices in Washington attempting to get licensed. A virtual office has a mailing address in the state but the CPA does not work out of the office and no client interaction takes place there. WAC 4-30-110(4) states that a firm's main office located in this state must be under the direct supervision of a resident licensee.

Jim, Elizabeth, and Rajib will work with Board staff to define "Office" and review options for virtual offices. They will present the topic at the October Board meeting.

Posting of Disciplinary Decisions on the Website

The Executive Director led the discussion on website posting of disciplinary decisions. The consensus of the Board was that they are in favor of posting the decisions on the website. Charles will write a Board Policy to begin posting disciplinary decisions on the website. The policy will be added to the October Board meeting agenda.

Enforcement Report Taylor Shahon provided the following report to the Board:

- Enforcement Report – Quarter Report (Apr 01, 2017 through Jun 30, 2017)

Taylor Shahon reported on enforcement activities for the second quarter 2017:

- Current caseload stands at 14 cases
- CPE audit is upcoming
- Non-responsive respondents
- Enforcement for international respondents
- Peer review failures

Executive and/or Closed Session with Legal Counsel No executive or closed sessions with legal counsel held.

Public Input Members of the public provided input throughout the meeting.

Adjournment The Board meeting adjourned at 2:02 p.m.

Secretary

Chair

Vice-Chair

Member

Member

Member

Member

Member

Member