



Board of Accountancy

Report to the Governor

2021

For the year ending December 31, 2021

Rajib Doogar
Board Vice Chair

David E. Trujillo, CPA
Executive Director

March 9, 2022

This document contains the Annual Report to the Governor of the Agency's activities as required by RCW 18.04.045(6). This report includes background information, successes and challenges, budget, and other information about agency activities.

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Introduction

This report is intended to fulfill the requirement of RCW 18.04.045 and serves as the Washington State Board of Accountancy's annual report to the Governor of Washington State. In addition, this report is available to the public upon request. Our licensed population continues to increase.

Our Authority derives from the Public Accountancy Act RCW 18.04 and Board Rules WAC 4-30.

The Board is a non-general fund agency, so does not draw from the general fund.

Any questions regarding this report should be directed to David E. Trujillo, CPA, Executive Director at dave.trujillo@acb.wa.gov or (360) 664-9268.

Our Mission

We serve the public by promoting the reliability of financial information issued by Certified Public Accountants or their firms and by regulating the qualification, conduct, and substantial equivalency of Certified Public Accountants.

Our Purpose RCW 18.04.015

(1) It is the policy of this state and the purpose of this chapter: (a) To promote the dependability of information which is used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private, or governmental; and (b) To protect the public interest by requiring that: (i) Persons who hold themselves out as licensees or certificate holders conduct themselves in a competent, ethical, and professional manner; (ii) A public authority be established that is competent to prescribe and assess the qualifications of certified public accountants, including certificate holders who are not licensed for the practice of public accounting; (iii) Persons other than licensees refrain from using the words "audit," "review," and "compilation" when designating a report customarily prepared by someone knowledgeable in accounting; (iv) A public authority be established to provide for consumer alerts and public protection information to be published regarding persons or firms who violate the provisions of chapter 294, Laws of 2001 or board rule and to provide general consumer protection information to the public; and (v) The use of accounting titles likely to confuse the public be prohibited.

(2) The purpose of chapter 294, Laws of 2001 is to make revisions to chapter 234, Laws of 1983 and chapter 103, Laws of 1992 to: Fortify the public protection provisions of chapter 294, Laws of 2001; establish one set of qualifications to be a licensee; revise the regulations of certified public accountants; make revisions in the ownership of certified public accounting firms; assure to the greatest extent possible that certified public accountants from Washington state are substantially equivalent with certified public accountants in other states and can therefore perform the duties of certified public accountants in as many states and countries as possible; assure certified public accountants from other states and countries have met qualifications that

are substantially equivalent to the certified public accountant qualifications of this state; and clarify the authority of the board of accountancy with respect to the activities of persons holding licenses and certificates under this chapter. It is not the intent of chapter 294, Laws of 2001 to in any way restrict or limit the activities of persons not holding licenses or certificates under this chapter except as otherwise specifically restricted or limited by chapter 234, Laws of 1983 and chapter 103, Laws of 1992.

(3) A purpose of chapter 103, Laws of 1992, revising provisions of chapter 234, Laws of 1983, is to clarify the authority of the board of accountancy with respect to the activities of persons holding certificates under this chapter. Furthermore, it is not the intent of chapter 103, Laws of 1992 to in any way restrict or limit the activities of persons not holding certificates under this chapter except as otherwise specifically restricted or limited by chapter 234, Laws of 1983.

[2001 c 294 § 1; 1992 c 103 § 1; 1983 c 234 § 2.]

2021 Summary

Washington State Board of Accountancy (Board) operated throughout 2021 within Governor Inslee's COVID-19 restrictions and state agency re-entry guidelines.

In April, we completed our CPA Online Modernization. This project was the culmination of several years of work. It ended on time, on budget, and within scope. Throughout the year, licensees used the new system and successfully renewed without issue.

Due to future changes in how Washington's peer review program is implemented, the Board began looking at potential changes at its Annual meeting in October.

The agency's financial position is solid. Revenue has been strong and expenditures somewhat less than expected due to minimal travel costs. The agency is projected to underspend its Biennium 2021-23 allotments and is projected to end the biennium with approximately \$3.1 million in its operating account. As a reminder, the beginning biennium 21-23 balance was about \$3.0 million.

The People We Serve

The Washington State Board of Accountancy serves all the State's citizens. The Board licenses and regulates CPAs, CPA firms, nonlicensee owners of CPA firms, and CPA-Inactive certificate holders.

In addition, CPAs licensed in our state can practice in other states through individual and firm mobility. Approximately one fifth of our licensee population obtained and maintain their Washington state license while remaining residents of other countries outside the USA. These individuals reside primarily in Pacific Rim countries. The Washington State Board of Accountancy is proud of its part in maintaining this connection to our international neighbors.

Board staff has found an interesting item of note. In 2020, the Board’s licensed population totaled 21,240 CPAs; of those, 13,400 were in Washington, 2,200 were in Japan, 1,190 were in China and Hong Kong, 690 were in South Korea, with the remainder from other states and countries. In 2021, licensees in Washington declined by 114 to 13,286; however, licensees in locations other than Washington increased by 854 to bring the overall total to 21,980, an increase of 790 licensees. This demonstrates the Board’s regulation of a credential that is increasingly seen as a “worldwide” professional designation with 60% of its licensees’ declaring residency in Washington and 40% located in other countries and states.

Board Members and Staff

Board Members

The Board is composed of nine members appointed by the Governor to serve three-year terms.

We ended the year with two vacant Board member positions.

At year end, our Board members are:

- Vacant, Public Member, Chair
- Rajib Doogar, Public Member, Vice Chair
- Jacqueline Meucci, CPA, Member, Secretary
- Brian R. Thomas, CPA, Member
- Mark Hugh, CPA, Member
- Thomas P. Sawatzki, CPA, Member
- Kathryn Dixon, Public Member
- Brooke Stegmeier, CPA, Member
- Vacant, CPA, Member

Staff Members

During 2021, Executive Director, Charles Satterlund, CPA retired, and David Trujillo, CPA, joined the agency as the newest executive director.

The Board staff are currently composed of ten employees:

- David E. Trujillo, CPA, Executive Director (new in 2021)
- Jennifer Sciba, Deputy Director
- Vacant, Director of Investigations
- Lori Mickelson, Chief Administrative Officer
- Michelle Tuscher, Chief Information Officer
- Tia Landry, Data and Systems Administrator
- Taylor Shahon, CPA, Lead Investigator
- Kelly Wulfekuhle, Enforcement Administrator
- Kirsten Donovan, Confidential Records Manager
- Anthony Manfre, Licensing Specialist
- Isaac Ross, Communications Consultant (new in 2021)

Strategic Priorities

In addition to abiding by the Governor’s COVID-19 emergency proclamation, plans and procedures and enter the workplace in 2022 in accordance with the Governor’s re-entry guidelines. The agency’s Strategic Plan 2021-23 includes the following:

1. Serve the public by promoting the reliability of financial information issued by Certified Public Accountants or their firms and by regulating the qualification, conduct, and substantial equivalency of Certified Public Accountants.
2. Provide outstanding customer service.
3. Protect and maintain the security of private personal information that is in the custody of the agency.
4. Implement the Public Accountancy Act and Board Rules and Board Policies in a fair and equitable manner.
5. Maintain compliance with all other required statutes and rules affecting the agency.
6. Strive to be an organization that focuses on the well-being and safety of the employees through training, process improvements, and a secure workplace.

State Board of Accountancy Agency Summary

BITD as of December 2021 Fund 02J

Category	BI Allotment	BITD Allotment	BITD Expenditures	BITD Variance
Salaries and Wages	1,618,927	402,857	401,926	931
Employee Benefits	540,781	130,213	128,410	1,803
Professional Service Contracts	324,000	81,000	92,302	(11,302)
Goods and Services	1,857,620	471,766	325,854	145,912
Travel	66,672	16,668	0	16,668
Capital Outlays	30,000	7,500	0	7,500
Sum:	4,438,000	1,110,004	948,491	161,513

* In the current biennium, as of December 31, 2021, the agency had underspent its allotments by \$161,513. The current biennium covers the time period from July 1, 2021, to June 30, 2023.

Revenue Received

The agency is not funded through the general fund; the agency receives its revenue from CPA license fees and applicant exam administrative fees. The agency can also recoup costs associated with the investigative process, but fines are contributed directly to the state general fund.

During the period of fiscal years 2017 to 2021, the agency recorded the receipt of the following revenues:

Board of Accountancy Revenue by Fiscal Year

	Major Source	Source	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
001 - General Fund	04 - States Charges & Miscellaneous Revenue	05 - Fines, Forfeits and Seizures	\$36,230	\$29,800	\$20,050	\$18,500	\$25,975
02J - Certified Public Accountants' Acct	02 - Licenses, Permits, and Fees	01 - Accountants	\$2,294,870	\$1,706,330	\$2,286,140	\$2,186,935	\$1,508,316

FTEs allocated/FTEs used

Our agency staff is authorized (and funded) for a total of eleven (11) full time equivalent employees (FTEs). Through leveraging the experience of our current staff, we are successfully operating with ten (10) FTEs. This reserve capacity allows the agency to remain agile in reacting to unexpected workloads.

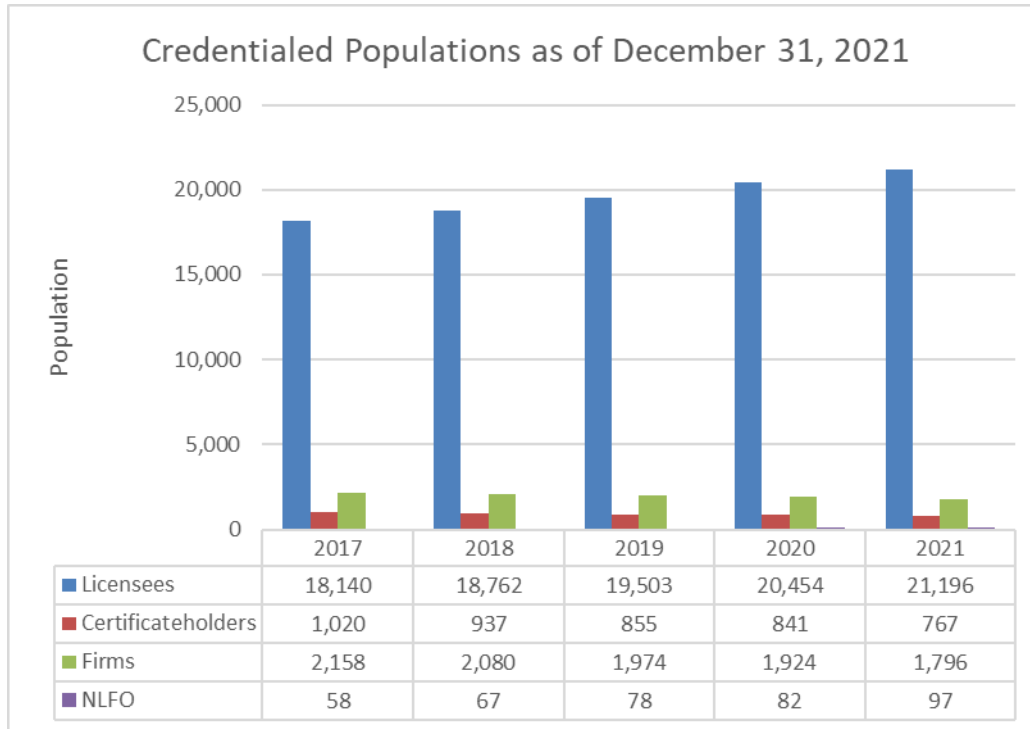
Washington Management Service (WMS) positions - allocated versus filled

We understand the need to minimize the growth of middle management, and the agency strives to find classified positions that suit our operational requirements. Our agency is allocated for three WMS positions, but currently utilizes only two. Unless there is a sound need to fill the third WMS position, we will strive to remain well within our authorized number of WMS positions.

Performance

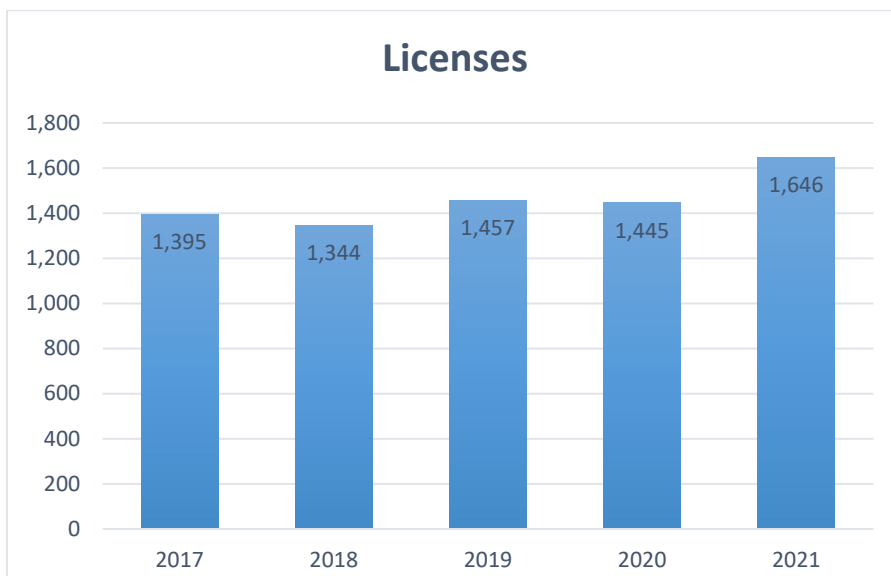
Credentialed Population

Total number of licensees CPAs, CPA-Inactive certificate holders, CPA firms, and Nonlicensee owners of CPA firms (NLFO) for last five calendar years:



New Licensees

Total number of new licensees who obtained their license in Washington State in the past five calendar years:



Enforcement

The Board continued its enforcement of the Public Accountancy Act throughout the pandemic. The average age in days to resolve a case is based on calendar days and not business days.

The 2021 increase in the average age days to resolve cases is due to several factors:

1. The new executive director familiarized himself with the investigative process.
2. Complaints often involved licensees that were directly impacted by COVID-19 or had staffing shortages due to COVIN-19.
3. The enforcement team allowed for extended time when pursuing follow-up and / or clarifying questions from both the complainant and the respondent.
4. Several long-standing complaints were resolved in 2021.

Year	2021	2020	2019	2018
Cases received during year	46	64	89	85
Cases resolved during year	45	60	87	89
Average age in days, of resolved cases	106	77	19	45
No. of cases at end of year	20	31	16	13

The Way Forward in 2022

The year is nearing its end; we hoped that the new year would allow us to return to pre-COVID conditions. Unfortunately, new variants continue to emerge and that return remains elusive. With the pandemic continuing into the new year, business uncertainty remains, and Board licensees and stakeholders continue to experience anxiety and concern. To that end, please know that Board staff will continue to look for ways to improve services, and while we are still abiding by Governor Inslee's re-entry guidelines, we have flexibility to schedule in-office meetings, if appropriate.

Potential Legislation - The Washington State Society of CPA's will propose legislation to change RCW 18.04 relative to those holding CPA-Inactive certificates issued by the Board. The change is to promote clarity, reduce confusion in accounting titles, and benefit all licensees. This provides the opportunity for another status to those CPAs that are not ready to retire their license. This also aligns our terminology and licensure status with other state and territory boards of accountancy. Board staff are supportive of this proposal. This will be a topic of the next Board meeting. Proposed language is expected to be introduced for the 2022 Legislative session.

Amending Rules - Amend the rules to be more efficient for applicants, licensees, and staff.

Peer Review - The AICPA's Peer Review program was established many years ago for the purpose of improving the quality of accounting, auditing, and attestation services performed by CPAs. In our state, this program is administered by the Washington Society of CPAs (WSCPA)

and the Board participates via our sanctioned Peer Review Oversight Committee which includes Board Members and volunteer Board Representatives. Due to upcoming changes envisioned, the Society will no longer be our state's administering entity and is looking at other states and their models for a solution; the Board will be an active participant in this search for a solution because it impacts Washington State licensees.

Risk Management - Consider agency risk in a holistic manner. This includes actively participating in the state's Enterprise Risk Management System, look at national and international events impacting the profession of public accounting such as the planned changes to the Uniform Accountancy Act (2024), CPA Evolution (2024), and the implementation of the AICPA's Peer Review in our state (2023). This also includes planning for a Cascadia subduction zone level event and ensuring our continuity of operations plan is current and effective,

Continuing Professional Education (CPE) Tracker - One aspect of licensing that continues to be an ongoing issue is the consistent percentage of licensees that represent on their renewal application that they have completed their CPE requirements, yet they are unable to provide supporting documentation. This averages about 7.5% of those audited by staff at renewal time. This is problematic and can become a licensure issue. This next year, will be the first renewal cycle requiring 100% CPE reporting through the tracker, and we expect that its use will reduce the deficient percentage, but that expectation won't be confirmed for at least three years due to the Board's three-year licensing cycle.

Thank You

Thank you for taking the time to learn more about the Washington State Board of Accountancy. If you have any questions, please do not hesitate to contact us, or visit our website at:

<https://acb.wa.gov/>