

# Board of Accountancy

## Washington State



### ANNUAL BOARD MEETING AGENDA

**Date, Time:** Tuesday, October 23, 2012 – Annual Board Meeting – 9:00 a.m.  
**Location:** The Doubletree Hotel Seattle Airport - Cascade 12 Room  
18740 International Boulevard, SeaTac, Washington  
(206) 246-8600

Chair Introductions/Special Notices

### ANNUAL MEETING AGENDA

1. Consent Agenda
  - a. Minutes – July 26, 2012, Regular Board Meeting .....A
  - b. Request Review Committee Report – Karen Saunders, Chair .....B
2. Delegation of Authority – Director of Investigations .....C
3. Board Policies
  - a. 2002-1 Substantially Equivalent Jurisdictions.....D
  - b. 2011-2 Interim Policy Guidelines Pending Rule Changes.....E
4. Social Media – Presentation by Lisa Zolman, Director of IT and Data Communications
  - a. Presentation.....F
  - b. Draft Administrative Policy .....G
5. Rules Review
  - a. WAC 4-30-022 What is the board’s meeting schedule and how are officers elected? .....H
  - b. WAC 4-30-050 What are the requirements concerning records and clients confidential information?.....I
  - c. WAC 4-30-134 What are the CPE requirements for individuals?.....J
6. NASBA
  - a. Comment Letter to ARSC and PEEC .....K
  - b. Update
7. Legal Counsel’s Report – *No Report*
8. Chair’s Report
  - a. 2013 Board Meeting Schedule and Location
  - b. Election of 2013 Officers
  - c. Committee Chair Appointments

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Cheryl Sexton, Washington State Board of Accountancy  
PO Box 9131, Olympia, WA 98507-9131  
360/664-9194 Voice 360/664-9190 Fax

800/833-6388 (TT service) 800/833-6385 (Telebraille service)  
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- d. Other
  
- 9. Committee/Task Force Reports
  - a. Executive Committee – Board Officers - *Update*
  - b. Compliance Assurance Oversight – Emily Rollins, CPA, Board Liaison – *No report*
  - c. Education/Exam Task Force – Elizabeth Masnari, CPA, Board Liaison – *On hold*
  - d. State Ethics Compliance – Thomas Neill, CPA, Ethics Advisor – *No report*
  - e. Legislative Review – Edwin Jolicoeur, CPA, Chair – *No report*
  - f. Quality Assurance – Emily Rollins, CPA, Co-Chair - *Update*
    - i. 2012 QAR Desk Review.....L
    - ii. 2012 CPE Audit
  - g. Request Review – Karen Saunders, CPA, Chair - *See Consent Agenda – Vote*
  
- 10. Executive Director’s Report
  - a. 2013 Renewal Cycle Communication Plan .....M
  - b. Appreciation – Quality Assurance Review Committee
  - c. Governor’s Transition Documents
    - i. For Governor’s Transition Team .....N
    - ii. For Incoming Agency Administration Team .....O
  - d. Government Management, Accountability & Performance (GMAP)
  - e. Implementation of Performance Review Task Force Recommendations
  - f. Investigation Statistics/Investigations & Administrative Sanctions .....P
  - g. WBOA-News
  - h. Other
  
- 11. Executive and/or Closed Sessions with Legal Counsel
  
- 12. Public Input - To ensure the public has an opportunity to address its concerns and the Board has an opportunity to ask questions of the public. Individual speakers will be provided 10 minutes each.

**WASHINGTON STATE  
BOARD OF ACCOUNTANCY  
ANNUAL BOARD MEETING  
SUMMARY – October 23, 2012**

**Day, time, location, special notices:**

Meeting: **Tuesday, October 23, 2012 - 9:00 a.m.**  
Location: **The Doubletree Hotel Seattle Airport**  
Cascade 12 **Please note room change**  
18740 International Boulevard  
Seattle, Washington  
(206) 246-8600

**Notices:**

**Chair's Opening  
Announcements:**

The purpose of the Board meeting is for the Board to accomplish its business. After the Board completes its discussion of an agenda item, if appropriate, I will ask if anyone in the audience wishes to comment. As a reminder, individuals attending the meeting may participate only after recognition by the Chair. If you plan to address the Board during the public input section of the agenda, please sign the sign-up sheet.

**OCTOBER 23, 2012 - ANNUAL BOARD MEETING**

**1. Consent Agenda**

- a. **Minutes – July 26, 2012** - Board staff presents the draft minutes of the July 26, 2012, regular Board meeting at **Tab A** for the Board's consideration.
- b. **Request Review Committee** - The Request Review Committee presents its report at **Tab B** for the Board's consideration.

**2. Delegation of Authority – Director of Investigations – Tab C**

On April 26, 2012, the Board revoked the delegation of authority to the Deputy Director for investigation, subpoenas, and settlement negotiation. The Board directed staff to bring the delegation to the Board for review when the investigator post was filled. Effective October 1, 2012, Charles E. Satterlund, CPA, filled the agency's Director of Investigations position.

**Tab C** contains the delegation to allow the Director of Investigations to:

- Conduct investigations including the authority to administer oaths or affirmations to witnesses, subpoena witnesses and compel their attendance, take testimony, and require submission of documentary evidence in the course of investigation.

- Exercise the Executive Director’s authority for investigations, enforcement, and settlement in the event the Executive Director is recused or otherwise unable to exercise his responsibilities.

**Does the Board wish to delegate this authority to the Director of Investigations?**

**3. Board Policies**

**a. 2002-1 Substantially Equivalent Jurisdictions**

At its July 2012 meeting, the Board directed the Executive Director to draft changes to Section II of the Board’s Policy 2002-1 to conform the policy to current practice for the Board’s consideration at its annual meeting in October. The Executive Director is currently recognizing states that do not currently meet the 150 semester hour education requirement but have passed legislation prior to January 1, 2012, to implement the 150 semester hour education requirement as substantially equivalent for purposes of issuing a Washington State CPA license under the statute’s interstate reciprocity provision.

**Tab D** contains a copy of the Board’s Substantially Equivalent Jurisdictions policy amended to remove the January 1, 2012, date and recognize the states and jurisdictions that NASBA currently identifies as “Substantially Equivalent States.”

**Does the Board wish to accept the proposed change to Policy 2002-1?**

**b. 2011-2 Interim Policy Guidelines pending Rule Changes**

The Executive Director proposes that the Board amend Policy 2011-2 to eliminate the portion of the policy that was automatically superseded by the change to WAC 4-30-132(8)(a) Interactive Self-study. That change incorporated into rule that portion of the policy. Per the policy itself this does not require Board action.

**Tab E** provides the Board with the changes to the policy for informational purposes and the Chair’s signature only.

**4. Social Media – Presentation by Lisa Zolman, Director of IT and Data Communications**

- a. Presentation** - The Chair met with Lisa Zolman, the agency’s IT Manager, and Jennifer Sciba, Deputy Director and Records Officer, to discuss social media and develop a policy.

**Tab F** contains Lisa’s presentation.

**b. Draft Administrative Policy**

**Tab G** provides the Board with a draft administrative policy that establishes guidelines regarding the proper business use of social media by agency employees.

**Does the Board wish to direct staff to implement Board communication via social media?**

**5. Rules Review**

The Board's Chair suggests the Board amend the following three rules. He will lead the discussion.

**a. WAC 4-30-022 What is the board's meeting schedule and how are officers elected?**

Currently the rule limits a Board officer's term to two terms. The Chair proposes eliminating the term limit.

**Tab H** contains a draft rule for the Board's consideration.

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

This is a change to clarify that licensees who prepare federal income tax returns in accordance with IRS rules do not violate the confidential client information rules of WAC 4-30-050.

**Tab I** contains a draft rule for the Board's consideration. Changes are highlighted.

**c. WAC 4-30-134 What are the CPE requirements for individuals**

This is a change to allow licensees the option of taking an AICPA based ethics course or the current Washington rules ethics course on subsequent license renewals.

**Tab J** contains a draft rule for the Board's consideration. Changes are highlighted.

**Does the Board wish to direct staff to begin the rule-making process to amend the Board's rules identified above and hold a public rule-making hearing in conjunction with its January 2013 meeting?**

**If yes, do members have any suggested changes to the proposed language?**

**6. NASBA**

- a. **Comment Letter to ARSC and PEEC - Tab K** contains a letter from NASBA Chair Mark Harris and President Ken Bishop that was submitted to the AICPA Professional Ethics Executive Committee (PEEC) and Accounting and Review Services Committee (ARSC), following development by the Regulatory Response Committee and the Ethics Committee and then vetting by the NASBA Regional Directors. The Executive Director will lead the discussion.
- b. **Update** – The Executive Director will provide a verbal update on NASBA activities.

**7. Legal Counsel's Report**

The Board's legal counsel requests the agenda for regular Board meetings contain a placeholder item allowing for Legal Counsel to report on any current issues related to the Board's activities and/or Washington state law such as: the Administrative Procedures Act, Open Public Meetings Act, Public Disclosure requirements, etc.

**8. CHAIR'S REPORT**

- a. **2013 Board Meeting Schedule and Location** - Board meeting dates are set by Board rule as the last Friday of the month in the months of January, April, July, and October or as otherwise determined by the Board. Travel on Fridays is difficult for those members traveling from eastern Washington. Additionally, the Board Chair currently serves as the Pacific Region Director of NASBA. He is expected to attend the quarterly NASBA board meetings. These meetings are generally held on the last Thursday of the month. The Board Chair suggests that this Board may want to consider moving its quarterly meetings to a Tuesday to allow members to attend both meetings. The Chair recommends the following dates and locations:

Tuesday, January 22	SeaTac area
Tuesday, April 23	SeaTac area
Tuesday, July 23	SeaTac area
Tuesday, October 22	SeaTac area

For your reference, 2013 NASBA meetings that you may need to consider when setting the 2013 Board meeting dates:

- January Board of Directors – 2013 date not available

- April Board of Directors – 2013 date not available
- Western Regional Meeting – New Orleans, LA – June 5-7, 2013
- July Board of Directors - 2013 date not available
- October Board of Directors – 2013 date not available
- 106th Annual Meeting – October 27-30, 2013

**b. Election of 2013 Officers**

The Board must vote in officers for calendar year 2013:

Chair \_\_\_\_\_  
Vice-Chair \_\_\_\_\_  
Secretary \_\_\_\_\_

The newly elected officers will assume their duties on January 1, 2013.

**c. Committee Chair Appointments**

At its July 2012 meeting, the Board adopted a Governance Structure that includes the Executive Committee consisting of the Board officers and five other committees. The Board needs to appoint chairs for each of the five committees at its annual meeting. The current members are listed for your convenience:

**Compliance Assurance Oversight Committee**

Chair: \_\_\_\_\_

Members: \_\_\_\_\_  
\_\_\_\_\_

Current Members:

Fred Shanafelt, CPA, Chair (Retired)  
Nina Gerbic, CPA  
Christine Bogard, CPA

**Legislative Review Committee**

Chair: \_\_\_\_\_

Member: \_\_\_\_\_

Current Members:

Edwin G. Jolicoeur, CPA, Chair  
Gerald Ryles, Member.

**Quality Assurance Committee**

Chair: \_\_\_\_\_

Members: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Current Members:

Emily Rollins, CPA, Co-Chair  
Robert Speicher, CPA, Co-Chair  
Edwin Jolicoeur, CPA, Member  
Elizabeth Masnari, CPA, Member

**Request Review Committee**

Chair: \_\_\_\_\_

Member: \_\_\_\_\_

Current Members:

Karen Saunders, CPA, Chair  
Gerald Ryles, Member

**State Ethics Compliance Committee**

Ethics Advisor: \_\_\_\_\_

Current Members:

Thomas Neill, CPA, Ethics Advisor  
Richard Sweeney, CPA, Ex-officio Liaison

**d. Other**

**9. Committee/Task Force Reports**

**a. Executive Committee – Board Officers.**

The Board Chair and Vice Chair met with the Executive Director on October 18, 2012. The Executive Director will report.

**b. Compliance Assurance Oversight – Emily Rollins, CPA Board Liaison.**

No report.

- c. **Education/Exam Task Force** – Elizabeth Masnari, CPA, Board Liaison; Emily Rollins, CPA, and Ronald Sabado, CPA, Members.

With NASBA's current plan to liaison with international education evaluation service providers, the Board at its April 26, 2012, meeting placed the activities of this task force on hold.

- d. **State Ethics Compliance Committee** – Thomas Neill, CPA Ethics Advisor; Richard Sweeney, CPA, Ex-officio Liaison.

Tom has nothing to report at this meeting.

- e. **Legislative Review Committee** – Edwin G. Jolicoeur, CPA, Chair; and Gerald Ryles, Member.

Ed has nothing to report for this meeting. The Executive Director

- f. **Quality Assurance Committee** – Emily Rollins, CPA and Robert Speicher, CPA, Co-Chairs; Members: Edwin Jolicoeur, CPA, and Elizabeth Masnari, CPA.

Emily will report on:

- i. **2012 QAR Desk Review – Tab L** contains:

- QAR Statistics – 2012 Cycle as of September 13, 2012
- QAR Historical Grades
- QAR Historical Grade Review
- Five-Year Comparative Statistics

The QAR Committee will hold its annual meeting on Monday, November 5 at the Board's office.

- ii. **2012 CPE Audit**

Staff emailed audit notifications on September 12, 2012. Response is due December 12, 2012.

- Total
  - Certificates 15
  - Licensees 110

- g. **Request Review** – Karen Saunders, CPA, Chair; and Gerald Ryles, Member.

Considered with Consent Agenda, Item 1.b., (Tab B) above.

**10. Executive Director's Report**

**a. 2013 Renewal Cycle Communication Plan**

At its July 2012 meeting the Board heard criticism for not sending paper reminders or renewal notices prior to the April 30 due date. The Board discussed renewal notification and committed to mailing at least one paper renewal reminder. **Tab M** contains the 2013 renewal cycle communication plan developed by Board staff.

**b. Appreciation – Quality Assurance Review Committee** - With the transfer of the Board's Quality Assurance Review effective January 1, the Board no longer needs a committee to oversee the desk review of financial statement reports. Staff prepared a certificate of appreciation for each committee member. Some of these individuals have served since the inception of QAR in 1986.

- Chris Bogard, CPA
- James Coates, CPA
- Nina Gerbic, CPA
- James Holder, CPA
- Martin Oreschnigg, CPA
- Robert Speicher, CPA
- David Stiefel, CPA

The Board Chair and the QAR Committee Co-Chair will sign the certificates on behalf of the entire Board. The Executive Director plans to approach these individuals for interest in serving in other capacities.

**c. Governor's Transition Documents** – The Executive Director will report.

- i. For Governor's Transition Team - Tab N** contains the Executive Director's response to the Governor's Transition Team's request for a briefing. The Executive Director will report.
- ii. For Incoming Agency Administration Team – Tab O** contains page eight of the Executive Director's response to the Incoming Agency Administration Team's request for a briefing. The first seven pages of the briefing are identical to the briefing prepared for the Governor's Transition Team provided at Tab N.

**d. Government Management, Accountability & Performance (GMAP)** – The Executive Director will report.

**e. Implementation of Performance Review Task Force Recommendations** – At its October 13, 2011, the Board adopted the recommendations of the Board's Performance Review Task Force and

directed staff to include a place on the agendas for future Board meetings under the Executive Director to report on the status of further implementation of recommendations. The Executive Director will report.

**f. Investigation Statistics/Investigations & Administrative Sanctions – *Tab P*** contains the following:

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

The Executive Director will report.

**g. WBOA-News** – As of October 16, 2012, 1799 individuals have subscribed. This is a net increase of 7 individuals since July 18, 2012. The Executive Director will report on NASBA's progress towards printing and mailing WBOA-News to Washington CPAs.

**h. Other**

**11. Executive and/or Closed Session with Legal Counsel**

The Board's Legal Counsel requests the agenda for regular Board meetings contain a placeholder item identifying the Board and Legal Counsel may enter into executive or closed session when determined appropriate.

**12. Public Input**

Board meeting time has been set aside to ensure the public has an opportunity to address its concerns and the Board has an opportunity to ask questions of the public. Individual speakers will be provided 10 minutes each with a maximum of three speakers at each Board meeting. (*Chair: Note the sign-up sheet will be set out at the start of the Board meeting.*)

# WASHINGTON STATE BOARD OF ACCOUNTANCY

## Unapproved Draft - Minutes of the Regular Meeting of the Board - Unapproved Draft

### 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

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 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 Oversight Committee**

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

**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.

## Request Review Committee Report October 23, 2012

Karen Saunders, CPA, Chair

During the 3rd 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 – No activity during 3<sup>rd</sup> quarter 2012. All CPE extension requests were due on or before December 31, 2011.

### Firm Names:

#### *Approved:*

- Cho & Associates, CPA PLLC
- Gallina Merrill Carlson LLP
- Integrity First Certified Public Accountants LLC
- Martinelli & Associates CPAS, Inc.
- Mueller & Partin CPAS and Forensic Economist
- Schelert Campbell & Company Inc. P.S.
- SSAE 16 Professionals, LLP
- The Business Guides CPA PC Inc.

Late Fee Waivers – No activity during 3<sup>rd</sup> quarter 2012.

Professional/Educational Organization – Recognition Requests – During the 3<sup>rd</sup> 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 International Education Credential Evaluation Services – Applications - During the 3rd quarter 2012, the Board received one request for recognition as an international education credential evaluation service. Board staff is currently evaluating the request.

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# DELEGATION OF AUTHORITY BY THE WASHINGTON STATE BOARD OF ACCOUNTANCY

**Delegation Number:** D-201

**Effective Date:** October 23, 2012

**Delegation For:** Authority to Conduct Investigations

**Delegation To:** Director of Investigations

**Approved:**

\_\_\_\_\_  
Donald F. Aubrey, CPA  
Chair

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I, DONALD F. AUBREY, Chair of the Washington State Board of Accountancy (“Board”), acting under authorization of a vote of the Board, delegate to the Director of Investigations, the specific authority to:

Conduct investigations concerning alleged violations of the provisions of chapter 18.04 RCW and Title 4 WAC as directed by the Executive Director of the Washington State Board of Accountancy. This also includes specific authority to administer oaths or affirmations to witnesses, subpoena witnesses and compel their attendance, take testimony, and to require that documentary evidence be submitted in the course of the investigation of alleged violations of chapter 18.04 RCW and Title 4 WAC.

This delegation does not include the authority to extend confidentiality to any testimony or evidence.

This delegation shall remain in effect for so long as the Executive Director has designated a Director of Investigations for the Washington State Board of Accountancy to exercise this authority, and through any necessary testimony at administrative hearings, should same be held.

In the event that the Executive Director is recused or otherwise unable to exercise responsibility for investigations, enforcement, and settlement, the Board delegates authority to the Director of Investigations to assume those responsibilities including the authority to:

- (a) Sign, issue, and withdraw Statements of Charges and/or Statements of Intent to Deny that seek to suspend, revoke, reprimand, refuse to issue, reinstate, or renew a certificate or license, or otherwise discipline or impose a fine upon a certified public accountant, a certificate holder, a licensee, a licensed firm, an applicant, or a nonlicensee holding an ownership interest in a licensed firm; and

- (b) Negotiate settlement proposals during investigations of alleged violations of RCW 18.04 or Board rules Title 4 WAC and in all proceedings under RCW 18.04.295, 18.04.305, or chapter 34.05 RCW. Such proposals are subject to concurrence by a consulting Board member prior to submission to the Board for consideration. Settlement proposals negotiated under this authority are not binding on the Board or respondent until the settlement is accepted by a quorum vote of the Board.
- (c) Issue Administrative Notices of Noncompliance and execute Respondent Agreements Consenting to Administrative Sanctions including monetary sanctions in accordance with the Board's delegation to the Executive Director.

This delegation is made pursuant to the authority of RCW 18.04.045, 18.04.295 and 18.04.305.



# Washington State Board of Accountancy

**Policy Number:** 2002-1

**Title:** Substantially Equivalent Jurisdictions

**Revised:** ~~April 26~~ October 23, 2012\*

**Approved:** \_\_\_\_\_  
**Donald F. Aubrey, CPA, Chair**

\*This policy rescinds and supersedes any previous Board policy.

## **Purpose:**

To provide guidance to:

- Individuals applying for a Washington State CPA license under the interstate reciprocity provision of WAC 4-30-092 and
- CPAs licensed in other jurisdictions exercising practice privileges under RCW 18.04.350(2) and WAC 4-30-090.

### **I. Exercise of Practice Privileges under RCW 18.04.350(2)(a)**

Individuals who hold a valid license issued by one of the states deemed “substantially equivalent” by the National Association of State Boards of Accountancy (NASBA) are deemed to have met the requirements of RCW 18.04.350(2)(a).

### **II. Exercise of Practice Privileges under RCW 18.04.350(2)(b)**

The qualification of individuals licensed in other than a substantially equivalent state may be determined by the Board to meet the substantially equivalent requirement. For purposes of exercising practice privileges, the Board will exempt individuals from the 150 semester hour education requirement of RCW 18.04.350(2)(a) provided the individual holds a valid license issued by any other state ~~issued prior to January 1, 2012, and meets the other requirements of RCW 18.04.350(2)(a)~~ deemed “substantially equivalent” by NASBA.

### **III. Substantially Equivalent States**

The Board recognizes the states and jurisdictions identified as “Substantially Equivalent States” by the National Association of State Boards of Accountancy (NASBA) for purposes of issuing a Washington State CPA license under the

interstate reciprocity provisions of WAC 4-30-092 and exercise of practice privileges under RCW 18.04.350(2)(a).

The Board does not recognize the states and jurisdictions identified by NASBA as “Non-Substantially Equivalent States” for purposes of issuing a Washington State CPA license under the interstate reciprocity provisions.

Listings of the substantially and non-substantially equivalent states and jurisdictions can be found at <http://www.nasba.org/licensure/substantialequivalency/>.

**IV. Individuals Applying for a CPA License under the Interstate Reciprocity Provisions of WAC 4-30-092**

Individuals deemed by the National Association of State Boards of Accountancy (NASBA) as being substantially equivalent to the education, examination, and experience requirements of the Uniform Accountancy Act are deemed to have met the requirements of WAC 4-30-092(2).

An individual holding a valid license from a substantially equivalent state is also deemed to have met this requirement.

Effective: January 25, 2002

\*Revised: [April 26, 2012](#); April 25, 2011; January 28, 2010; October 17, 2008; October 25, 2002;



# Washington State Board of Accountancy

**Policy Number:** 2011-2

**Title:** Interim Policy Guidelines Pending Rule Changes

**Effective:** ~~April 25, 2011~~ October 23, 2012\*

**Approved:** \_\_\_\_\_  
**Donald F. Aubrey, CPA, Chair**

\*This policy rescinds and supersedes any previous Board policy.

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## **POLICY STATEMENT:**

The Executive Director periodically finds it appropriate to seek Board concurrence prior to providing agency staff necessary guidance to implement the Public Accountancy Act or codified Board Rules, 4-30 WAC. The practice and regulatory environments are periodically subject to rapid changes due to economic and/or state and federal regulatory developments. Board rule changes are subject to state rule making processes that can delay formal and responsive guidance to address emerging issues. This policy is to provide for public input and temporary guidance to facilitate responsible agency responses to changing circumstances.

This temporary Board guidance will be requested by the Executive Director for discussion at any open public Board meeting. The guidance will become effective on the date approved by the Board. The guidance will be subsequently posted on the agency's website in a conspicuous location to enhance the awareness of consumers and the members of the regulated population.

The temporary guidance will be simultaneously superseded upon the effective date of any adopted codified rule or rules addressing the issue as an outcome of the rule making process.

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# Washington State Board of Accountancy

## Board Policy Number: 2011-2

### Interim Policy Guidance

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#### 2010-2011 Interim Policy Guidance:

#### I. Continuing Professional Education (CPE):

##### A. Deficiencies and Penalties:

1. Applicants for license renewal that *self-report continuing professional education (CPE) deficiencies during renewal have six months until June 30 of the renewal year to obtain the required CPE*. Such applicants must pay the \$480 reinstatement fee and carry the deficient CPE credits taken by June 30 back to the reporting period preceding the renewal year. The applicant is subject to CPE audit to avoid double counting.
2. *If the CPE deficiency is self-reported after June 30 or if the CPE deficiency is determined during CPE audit*, staff is to follow the Board's delegation related to the issuance of Administrative Notices of Noncompliance:
  - a) Applicants with CPE deficiencies up to and including 16 deficient hours are *subject to delegated administrative sanctioning guidelines*; and
  - b) Applicants deficient 17 hours and above shall be referred to investigations and enforcement.

##### ~~B. Self Study Interactive Continuing Professional Education (CPE):~~

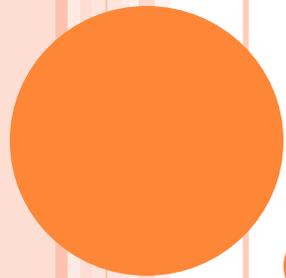
- ~~1. *Interactive means electronic or other delivery formats for delivery of continuing professional education (CPE) in which feedback is provided during the study of the material in a manner to validate the individual's understanding of the material.*~~
- ~~2. *Self study CPE courses registered with the National Association of State Boards of Accountancy (NASBA) as a Quality Assurance Service (QAS) sponsor may be accepted as interactive.*~~

#### II. Electronic Transcripts:

Electronic transcripts are acceptable *provided that the sender* is either:

1. The educational institution responsible for the credits and/or degrees granted; or
2. The electronic transcript service provider engaged by the educational institution responsible for the credits and/or degree granted.

Effective: April 25, 2011



# **SOCIAL MEDIA**

**& the Board**



## & WHY ALL THE BUZZ?

- In the year 2012, social media became one of the most powerful sources for news updates through platforms like Twitter and Facebook.
- 4 of the 7 highest-traffic websites are social media sites (Facebook, YouTube, Wikipedia, and Blogger).
- Two-thirds of the global internet population visit social media sites – *Nielson, Global Faces and Network Places*
- More than half of all people in the US over 12 have set up a social media profile
- If Facebook was a country – it would be the 3<sup>rd</sup> largest country in the world



# WHO ARE OUR CUSTOMERS?

- CPAs
- CPA Firms
- Future CPAs and CPA Firms
- General Public
- Stakeholders NASBA, Society, Colleges, etc.



## & WHY WOULD WE USE SOCIAL MEDIA TO REACH THEM?

- Build community awareness about who the Board is and what we do to help and protect – share our news.
- Strengthen relationships with the CPA community.
- Publish alerts and timely communication
- Attract and educate college level business and accounting students.
- Increase web site traffic.
- Improve search engine rankings.
- Communicate local and national news relevant to the profession.



# HOW WOULD WE IMPLEMENT

- Define goals, objectives, and strategy.
- Social media training.
- Determine the social media site(s) we will use -
  - Currently thinking Facebook as it is a site where you can control two-way communication.
- Develop public records retention policy.
- Develop agency social media policy – draft attached.



# ROLES & RESPONSIBILITIES

- With approval and guidance from the Board and Rick.....
  - Lisa, current agency IT and communications manager, will manage the social media site.
  - Jennifer Sciba, current agency deputy director and records officer, will assist in the management and control of content and records management.



# Social Media

**Policy Number:**

**Effective:**

**Approved By:**

\_\_\_\_\_  
**Richard C. Sweeney, CPA, Executive Director**  
**Washington State Board of Accountancy**

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## **PURPOSE:**

To establish the Board's position and guidelines regarding the proper business use of social media by employees or by contractors performing work for the Board. Social media is used by the Board primarily as a communication tool and sometimes as an investigative tool.

## **DEFINITIONS:**

**Social media** refers to any interactive Web-based technologies used for social networking and for sharing, discussing and/or developing content. Types of social media include, but are not limited to, blogs, video- or photo-sharing sites, and social-networking sites. Examples of social-media sites include, but are not limited to, YouTube, Flickr, Twitter and Facebook.

**Social networking** refers to the use of social media for building online communities and/or communicating with groups of individuals.

## **Employee Use:**

### **Permitted Use**

- Board employees must receive, from the Executive Director, prior approval to use social media for Board related business.
- After being approved by the Executive Director, employees may use social media in the workplace only for approved agency purposes – under no circumstances is social media for personal use allowed.
- At this time, the Board's communication manager, under the direction of the Board's Executive Director, will be the person permitted to communicate through social media on behalf of the Board.
- Board employees shall not set-up a social media account for agency purposes unless approved in advance under this policy.
- Approved Board employees who engage in social media for agency purposes shall not engage in unlawful or prohibited conduct.

- Failure to abide by this policy established for use of social media or participation in any activity inconsistent with the Board's values and mission may result in appropriate disciplinary action.

### **Personal Use**

- Board employees should not use personal social media accounts to transact agency business, or to post privileged or confidential material. Content posted on personal social media sites should never be attributed to, or appear to be endorsed by or to have originated from, the Board.
- Board employees should never use their work e-mail account or password in conjunction with a personal social media site.
- Work equipment and resources, including paid work time, must not be used to access personal social media accounts.

### **Records and Privacy Guidelines**

The Internet is an unsecured publicly accessible network. Board employees should have no expectation of privacy in the use of Internet resources. Owners of Internet sites commonly monitor usage activity and those activities may be disclosed to any number of parties.

- Information used for publication via social media will follow the general and/or agency's approved [retention schedule](#).
- The Board reserves the right to monitor Internet usage at such times and in such circumstances as appropriate.
- Social media shall not be used to distribute privileged or confidential material.

## WAC 4-30-022

### What is the board's meeting schedule and how are officers elected?

Regular board meetings begin at 9:00 a.m. on the last Friday of the month in the months of January, April and July or as otherwise determined by the board. The board holds an annual meeting beginning at 9:00 a.m. on the last Friday of October or as otherwise determined by the board.

The board consists of nine members. At the annual meeting the board elects the chair, vice-chair, and secretary from its members. The newly elected officers assume the duties of their offices on January 1 following the annual board meeting. **(Term LIMIT DELETED)**

Either the chair or a quorum of the board has the authority to call meetings of the board. The chair presides at all meetings. In the event of the chair's absence or inability to act, the vice-chair presides. The board determines other duties of the officers.

The board's meetings are open public meetings conducted pursuant to chapter [42.30](#) RCW. WAC [4-30-026](#) provides information on how to contact the board's office for meeting times and locations or additional information regarding the board's activities.

[Statutory Authority: RCW [18.04.055](#), [42.30.070](#). 10-24-009, amended and recodified as § 4-30-022, filed 11/18/10, effective 12/19/10; 07-14-034, § 4-25-510, filed 6/26/07, effective 7/27/07; 05-01-137, § 4-25-510, filed 12/16/04, effective 1/31/05; 01-22-036, § 4-25-510, filed 10/30/01, effective 12/1/01; 00-11-068, § 4-25-510, filed 5/15/00, effective 6/30/00; 99-18-111, § 4-25-510, filed 9/1/99, effective 1/1/00. Statutory Authority: RCW [18.04.055](#). 93-12-077, § 4-25-510, filed 5/27/93, effective 7/1/93.]

## WAC 4-30-050

### What are the requirements concerning records and clients confidential information?

(1) **Client:** The term "client" as used throughout WAC [4-30-050](#) and [4-30-051](#) includes former and current clients. For purposes of this section, a client relationship has been formed when confidential information has been disclosed by a prospective client in an initial interview to obtain or provide professional services.

(2) **Sale or transfer of client records:** No statement, record, schedule, working paper, or memorandum, including electronic records, may be sold, transferred, or bequeathed without the consent of the client or his or her personal representative or assignee, to anyone other than one or more surviving partners, shareholders, or new partners or new shareholders of the licensee, partnership, limited liability company, or corporation, or any combined or merged partnership, limited liability company, or corporation, or successor in interest.

(3) **Confidential client communication or information:** Licensees, CPA-Inactive certificate holders, nonlicensee firm owners must not without the **written** consent of the client or the heirs, successors, authorized representatives or employee of the client disclose any confidential communication or information pertaining to the client obtained in the course of performing professional services.

This rule applies to confidential communications and information obtained in the course of professional tax compliance services unless state or federal tax laws or regulations require or permit use or disclosure of such information.

Consents required and signed by clients pursuant to the requirements of Treasury Circular 230 and IRC sec. 7216 are acceptable as authorized consents for purposes of this rule provided the intended recipients are specifically and fully identified by full name, address, and other unique identifiers.

(4) This rule does not:

(a) Affect in any way the obligation of those persons to comply with a lawfully issued subpoena or summons;

(b) Prohibit disclosures in the course of a quality review of a licensee's attest, compilation, or other reporting services governed by professional standards;

(c) Preclude those persons from responding to any inquiry made by the board or any investigative or disciplinary body established by local, state, or federal law or recognized by the board as a professional association; or

(d) Preclude a review of client information in conjunction with a prospective purchase, sale, or merger of all or part of the professional practice of public accounting of any such persons.

[Statutory Authority: RCW [18.04.055\(2\)](#), [18.04.390](#) (4)(b), and [18.04.405](#) (1). 11-06-062, amended and recodified as [Â§ 4-30-050](#), filed 3/2/11, effective 4/2/11; 08-18-016, [Â§ 4-25-640](#), filed 8/25/08, effective 9/25/08; 05-01-137, [Â§ 4-25-640](#), filed 12/16/04, effective 1/31/05; 03-24-033, [Â§ 4-25-640](#), filed 11/25/03, effective 12/31/03. Statutory Authority: RCW [18.04.055\(2\)](#). 02-22-082, [Â§ 4-25-640](#), filed 11/5/02, effective 12/31/02. Statutory Authority: RCW [18.40.055](#) [[18.04.055](#)]. 93-22-046, [Â§ 4-25-640](#), filed 10/28/93, effective 11/28/93.]

WAC 4-30-134

What are the continuing education requirements (CPE) for individuals?

(1) Qualifying Continuing Professional Education must contribute to the professional competency in the individual's area(s) of professional practice or relative to the individual's current work place job functions.

(2) Qualifying CPE is required to be completed by individuals during any board specified CPE reporting period.

(3) A CPE reporting period is a calendar year time period beginning in the calendar year a credential is first issued by this Board and ending on December 31 of the subsequent third calendar year, e.g. if your license was issued any time during calendar year 1 (2012) the CPE reporting period ends on December 31 of calendar year 3 (2014).

**(4) General CPE requirements for renewal of valid credentials:**

(a) A licensee must complete a total of 120 CPE hours, including 4 CPE credit hours in ethics meeting the requirements of subsection (6)(b) of this section. The total 120 CPE hours requirement is limited to no more than 24 CPE credit hours in nontechnical subject areas;

(b) A CPA-Inactive certificate holder or a resident nonlicensee firm owner must complete 4 CPE credit hours in ethics meeting the requirements of subsection (6)(b) of this section; and

(c) Individuals eligible to exercise practice privileges are exempt from the CPE requirements of this section.

**(5) Exceptions to the General CPE Requirements:**

**(a) CPE requirements for the initial CPE renewal period after conversion of a CPA-Inactive certificate to Washington State license:**

(i) If your license was issued during the first calendar year of your CPE reporting period, you must have completed 80 CPE credit hours which is limited to 16 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics meeting the requirements of subsection (6)(a) of this section prior to December 31<sup>st</sup> of the calendar year following the calendar year in which your license was initially issued

(ii) If your license was issued during the second calendar year of your CPE reporting period, you must have completed 40 CPE credit hours which is limited to 8 CPE credit hours in nontechnical subject areas and must include 4 CPE credit hours in ethics meeting the requirements of subsection (6)(a) of this section.

(iii) If your license was issued during the third calendar year of your CPE reporting period, you must have completed 4 CPE credit hours in ethics meeting the requirements of subsection (6)(a) of this section.

(b) For the following circumstances you must have completed the requirements of subsection (4)(a) of this section within the thirty-six month period immediately preceding the date an application is submitted to the board; however, the four CPE hours in ethics meeting the requirements of subsection (6)(a) of this section must be completed within the six-month period immediately preceding the date your application and the CPE documentation is submitted to the board:

(i) You are applying to reactivate a license out of retirement;

(ii) You are a CPA Inactive certificate holder applying for a license or you want to return to your previously held status as a licensee; or

(iii) You are applying for reinstatement of a lapsed, suspended, or revoked license.

(c) For the following circumstances you must have completed the four CPE hours in ethics meeting the requirements of subsection (6)(a) of this section within the six-month period immediately preceding the date your application and the CPE documentation is submitted to the board:

- (i) You are applying to reactivate a CPA Inactive certificate out of retirement; or
- (ii) You are applying to reinstate a lapsed, suspended, or revoked CPA-Inactive certificate, or registration as a resident nonlicensee firm owner,

**(6) CPE in Ethics and regulation:**

(a) During the first CPE reporting period after initial licensing all individuals initially licensed in this state, including non-resident and foreign individuals receiving initial licenses by reciprocity, and individuals initially recognized as resident nonlicensee firm owners are required to complete four qualifying CPE credit hours in approved ethics and regulations in Washington State.

The content of this initially required four CPE credit hour course must be specific to the laws and rules applicable to the practice of public accounting in Washington State including the requirements for the initial and continued use of restricted titles in this state.

All CPE sponsors must submit course materials for this course to the Executive Director of the board for approval prior to delivery of the content for credit. The ethics and regulations course materials must cover all of the following topics and instructors of approved courses must substantially address these topics in their presentations:

(i) Chapter [18.04](#) RCW and Title [4](#) WAC. The CPE must include general level information on the Public Accountancy Act, the board's rules, policies, and the rule-making process.

(ii) WAC [4-30-026](#) How can I contact the board?

(iii) WAC [4-30-032](#) Do I need to notify the board if I change my address?

(iv) WAC [4-30-034](#) Must I respond to inquiries from the board?

(v) WAC [4-30-040](#) through [4-30-048](#) Ethics and prohibited practices. The CPE must include detailed information on each rule and all related board policies.

(vi) WAC [4-30-103](#) Series -- Continuing competency. The CPE must include detailed information on each rule and all related board policies.

(vii) WAC [4-30-142](#) What are the bases for the board to impose discipline?

(viii) AICPA Code of Conduct: The CPE must include general level information on the AICPA Code of Conduct.

(ix) Variances or key differences between Washington state law (chapter [18.04](#) RCW), this board's rules (Title [4](#) WAC) and the AICPA Code of Conduct.

(x) Other topics or information as defined by board policy.

(b) During the CPE reporting periods subsequent to the first CPE reporting period, all individuals licensed in this state, including those licensees who obtained their initial license through this state's reciprocity provisions, individual CPA-Inactive certificate holders in this state, and resident nonlicensee firm owners are required to complete four qualifying CPE credit hours in ethics applicable to the individual's required competencies in the work place.

Examples of course content include the following or any combination thereof accumulating to the required four (4) hours:

(i) Washington State specific CPE in Ethics and Regulation described in subsection (6)(a) above;

(ii) Courses covering the AICPA Code of Professional Conduct;

(iii) Courses covering International Codes of Conduct applicable to your practice environment;

(iv) Courses covering the Ethical Codes of Conduct prescribed by other volunteer professional organizations applicable to the individual's competencies, including but not limited to organizations such as the Institute of Internal Auditors (IIA), Institute of Management Accountants (IMA), Association of Government Accountants (AGA);

(v) Courses covering the ethical standards established by other state or federal agencies, including state specific courses required by other state Boards of Accountancy provided that the content is substantially equivalent to Washington State's law, rules, and policies; or

(vi) Courses specifically addressing the ethical and regulatory issues and challenges faced by licensees, CPA-Inactive certificate holders or the equivalent, and/or resident non-licensee firm owners. This type of course would be expected to also include responsible and practical solutions to ethical and regulatory issues, including those related to compliance with the laws and rules of Washington State.

**(7) CPE extension requests:** In order to renew your license, CPA-Inactive certificate, or registration as a resident nonlicensee firm owner, you must complete the required CPE by **December 31 of the calendar year** preceding the **calendar year of** your renewal unless you can demonstrate your failure to meet the CPE requirements was due to reasonable cause.

The board may provide limited extensions to the CPE requirements for reasons of individual hardship including, but not limited to, financial hardship, critical illness, or active military deployment. You must request such an extension in writing by **December 31 of the calendar year preceding the calendar year of your renewal**. The request must include justification for the request and identify the specific CPE you plan to obtain to correct your CPE deficiency.

A form useful for this purpose is available from the board's web site or will be provided to you upon request.

**(8) Self-Reported Deficiencies:** If you fail to file a timely request for extension but you self-report a CPE deficiency to the board during the renewal period January 1 through June 30 of the renewal year, you will be permitted to continue to use the restricted title during the renewal period provided you:

(a) Submit to the board, in writing, the specific CPE plan to obtain to correct the CPE deficiency on or before June 30 of the renewal period;

(b) Timely complete the CPE sufficient to correct the deficiency;

(c) Timely submit certificates of completion for the subject CPE taken to the board; and

(d) Pay the fee for reinstatement of a lapsed credential on or before June 30 of the renewal year.

CPE deficiencies taken by June 30 of the renewal year under this section will be carried back to the reporting period ended on December 31 of the preceding calendar year and be subject to CPE audit in the next renewal period to ensure that inadvertent double counting does not occur.

[Statutory Authority: RCW [18.04.055\(7\)](#), [18.04.215\(5\)](#), 11-07-070, [Å§ 4-30-134](#), filed 3/22/11, effective 4/22/11; 10-24-009, amended and recodified as [Å§ 4-30-134](#), filed 11/18/10, effective 12/19/10. Statutory Authority: RCW [18.04.055\(7\)](#) and [18.04.215](#). 09-17-044, [Å§ 4-25-830](#), filed 8/11/09, effective 9/11/09. Statutory Authority: RCW [18.04.055\(7\)](#), [18.04.215\(5\)](#). 08-18-016, [Å§ 4-25-830](#), filed 8/25/08, effective 9/25/08; 05-01-137, [Å§ 4-25-830](#), filed 12/16/04, effective 1/31/05; 02-04-064, [Å§ 4-25-830](#), filed 1/31/02, effective 3/15/02. Statutory Authority: RCW [18.04.055\(7\)](#), [18.04.104\(8\)](#), [18.04.215\(4\)](#). 00-11-077, [Å§ 4-25-830](#), filed 5/15/00, effective 6/30/00. Statutory Authority: RCW [18.04.055\(7\)](#), [18.04.215\(4\)](#) and [18.04.105\(8\)](#). 99-23-045, [Å§ 4-25-830](#), filed 11/15/99, effective 1/1/00.]



National Association of State Boards of Accountancy

◆ 150 Fourth Avenue, North ◆ Suite 700 ◆ Nashville, TN 37219-2417 ◆ Tel 615.880-4201 ◆ Fax 615.880.4291 ◆ [www.nasba.org](http://www.nasba.org) ◆

September 6, 2012

Lisa A. Snyder, CPA  
Director, Professional Ethics Division  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036-8775

[Via e-mail to: lsnyder@aicpa.org](mailto:lsnyder@aicpa.org)

Michael P. Glynn, CPA  
Senior Technical Manager, Audit and Attest Standards  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036-8775

[Via e-mail to: mglynn@aicpa.org](mailto:mglynn@aicpa.org)

Re: Exposure Draft dated June 29, 2012 – Omnibus Proposal, AICPA Professional Ethics Executive Committee, Proposed Revised and New Interpretations and Proposed Deletions of Ethics Rulings, *Proposed Revised Interpretation No. 101-3 Under Rule 101*; and Exposure Draft dated June 29, 2012 - Proposed Statements on Standards for Accounting and Review Services, AICPA Accounting and Review Services Committee, *Association with Unaudited Financial Statements; Compilation of Financial Statements; and Compilation of Financial Statements-Special Considerations* (collectively, “Exposure Drafts”)

Dear Members and Staff of the AICPA Professional Ethics Executive Committee and Members and Staff of the AICPA Accounting and Review Services Committee:

We appreciate the opportunity to offer comment on the Exposure Draft of the Professional Ethics Executive Committee (“PEEC Draft”) and the Exposure Draft of the AICPA Accounting and Review Services Committee (“ARSC Draft”). The National Association of State Boards of Accountancy’s (NASBA) mission is to enhance the effectiveness of the licensing authorities for public accounting firms and certified public accountants in the United States and its territories. In furtherance of that objective, we offer the following comments on the Exposure Drafts.

#### Comments on the ARSC and PEEC Drafts

##### Effective Dates

We suggest that the effective dates of the Exposure Drafts be made the same date, December 15, 2014. Early adoption of the ARSC proposal should not be allowed since dual standards operating simultaneously may cause regulatory and public confusion.

Lisa A. Snyder, CPA  
Michael P. Glynn, CPA  
September 6, 2012  
Page 2 of 4

## Comments on the ARSC Draft

### Association With Unaudited Financial Statements

NASBA believes a public protection issue is inherent in the “Proposed Statement on Standards for Accounting and Review Services, *Association With Unaudited Financial Statements*” (the “Proposed Statement”).

As a matter of principle, we believe that a financial statement user should be able to clearly understand the CPA’s role in the preparation of financial statements. We are concerned that this principle is not advanced when Paragraph 5 (Definitions) of the Proposed Standard says, in part, that an accountant is associated with unaudited financial statements when (5b): “...the accountant prepares, in whole or in part, financial statements, even though the accountant does not append the accountant’s name to the financial statements.”

Paragraph 7 of the Proposed Standard says: “When the accountant is associated with unaudited financial statements for the reasons described in paragraph 5b, the accountant should request that the entity clearly indicate that the financial statements were not compiled, reviewed, or audited.”

The Proposed Standard does not preclude the accountant from attaching a report to the unaudited financial statements and suggests wording to “clearly indicate that the accountant has not compiled, reviewed, or audited the financial statements” and state that the accountant does not express an opinion or any form of assurance on them. However, the Proposed Standard does not require that a report be issued by the accountant.

We strongly recommend that Paragraph 4 be changed to require that the accountant attach a report to the unaudited financial statements and that the report’s wording include the following:

“We (I) have prepared [assisted in the preparation of] the financial statements of [Entity Name]. The financial statements as of and for the year ended December 31, 20XX, were not compiled, reviewed, or audited and, accordingly, we (I) do not express an opinion or any form of assurance on them.”

Also, each page of the unaudited financial statements should also include the legend: “See Accountant’s Report.”

Paragraph 6 of the Proposed Standard requires the accountant to apply certain procedures to unaudited financial statements that the accountant is associated with (as described in Paragraph 5a). Paragraph 6 is silent on financial statements that the accountant has prepared (as described in Paragraph 5b). We recommend, as a minimum, that the final standard remind the accountant

Lisa A. Snyder, CPA  
Michael P. Glynn, CPA  
September 6, 2012  
Page 3 of 4

that whenever preparing financial statements for clients, that the accountant also is responsible for the appropriate disposition of known errors or other misstatements.

One consequence that may occur as a result of designating “prepare and present” engagements as non-attest engagements is that such engagements will no longer be subject to peer review. We believe that many entities that previously requested compilation services, which are subject to peer review, may request that the accountant perform a “prepare and present” engagement and will not request a compilation. Thus, a significant amount of work by accountants may no longer be scrutinized by peer review teams.

We believe that ARSC should address the potential ramifications of this issue within the American Institute of Certified Public Accountants, including its Peer Review Board, prior to proceeding with “prepare and present” engagements.

We believe the proposed requirements for association with non-attest financial statement engagements should include a written engagement letter between accountant and entity. In the engagement letter the entity should agree to inform potential users that the financial statements were not compiled, reviewed or audited.

#### Compilation of Financial Statements –Material Misstatements

We note that in the ARSC Draft, *Compilation of Financial Statements*, when the accountant is asked to read the financial statements, the accountant is to consider whether they are free from obvious material misstatements (Paragraph 3a). However, in Paragraph 14, the accountant is asked to read only for obvious material errors. This appears to us to be an unintended discrepancy in the requirements without a meaningful distinction in the circumstances. Accordingly, we suggest substituting “misstatements” for “error” in Paragraph 14.

Please also consider adding a definition of “misstatements.” While the term “fraud” is included in the definitions section of the Clarified Compilation standard, the terms “error” and “misstatements” are only described in the explanatory paragraphs of A17 and A22. We suggest the terms “error” and “misstatement” should also be included in the definitions.

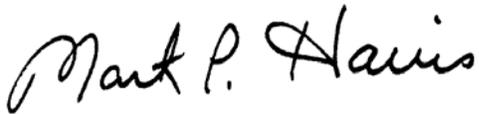
#### Comment on the PEEC Draft

We support the changes to Interpretation No. 101-3 and to the new interpretations under Rules 501 and 502 in the Code of Professional Conduct.

Lisa A. Snyder, CPA  
Michael P. Glynn, CPA  
September 6, 2012  
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We appreciate the opportunity to comment on the Exposure Drafts.

Sincerely,

Handwritten signature of Mark P. Harris in black ink.

Mark P. Harris, CPA  
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink.

Ken L. Bishop  
NASBA President and CEO

## QAR Statistics – 2012 Cycle As of September 13, 2012

### 2012 QAR Statistics

Total Licensed Firms (at January 9, 2012)	2,087	
Firms in 2012 QAR Cycle (738 Less 64 Deleted)	673	32.24%

### Summary – Firms in 2012 Cycle

➤ Firms Requesting Peer Review Exemption	193	29%
➤ Firms Requesting Limited Scope Exemption	377	56%
➤ Firms Submitting Reports For Review	**95	14%
➤ Firms Did Not Respond (Enforcement)	8	01%
<b>Total</b>	<b>673</b>	<b>100%</b>

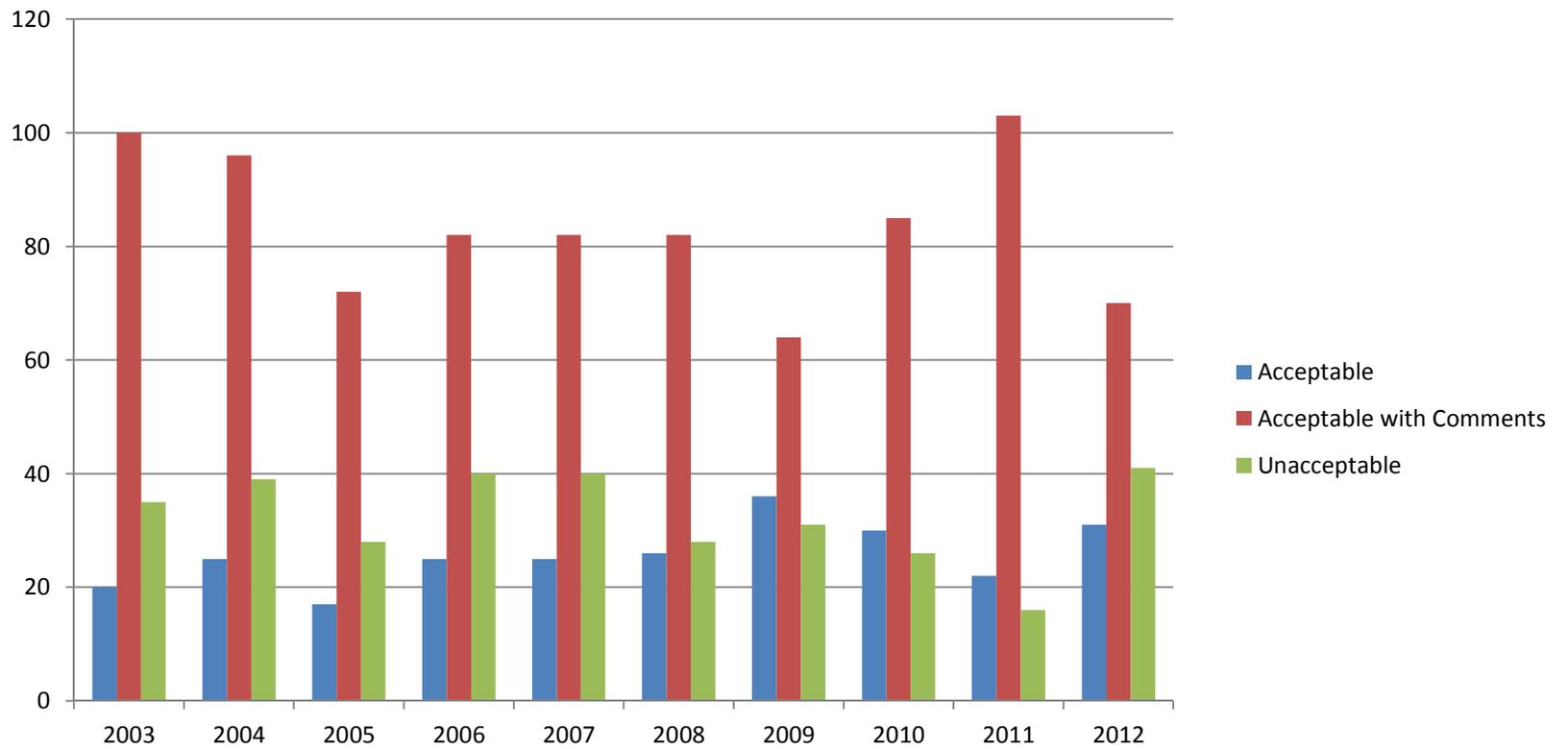
\*\* Note: Several firms had multiple reports for review.

### Summary of All Reports Reviewed

All Reports (142)**	Reviews	Compilations	Agreed Upon Procedures	Total	Percent
Graded Acceptable	4	27	0	31	21.8%
Graded Acceptable with Comments***	24	43	3	70	49.3%
Graded Unacceptable	12	29	0	41	28.9%
<b>Total</b>	<b>40</b>	<b>99</b>	<b>3</b>	<b>142</b>	<b>100.0%</b>

\*\* Note: Several firms had multiple reports for review.

## QAR Historical Grades



Washington State Board of Accountancy										
Quality Assurance Review Program - Historical Grade Review										
				Acceptable With						
QAR Cycle	Acceptable	Percent		Comments	Percent		Unacceptable	Percent	Total	Percent
2003	20	12.90%		100	64.52%		35	22.58%	155	100.00%
2004	25	15.63%		96	60.00%		39	24.38%	160	100.00%
2005	17	14.53%		72	61.54%		28	23.93%	117	100.00%
2006	18	12.95%		74	53.24%		47	33.81%	139	100.00%
2007	25	17.01%		82	55.78%		40	27.21%	147	100.00%
2008	26	19.12%		82	60.29%		28	20.59%	136	100.00%
2009	36	27.48%		64	48.85%		31	23.66%	131	100.00%
2010	30	21.28%		85	60.28%		26	18.44%	141	100.00%
2011	22	15.60%		103	73.05%		16	11.35%	141	100.00%
2012	31	21.83%		70	49.30%		41	28.87%	142	100.00%

<b>FIVE-YEAR COMPARATIVE STATISTICS</b>										
	<b>2008</b>		<b>2009</b>		<b>2010</b>		<b>2011</b>		<b>2012</b>	
<b>POPULATION</b>										
Total Licensed Firms	1,879		1,902		1,926		1,947		2,087	
Firms Included in QAR	522	27.78%	656	34.49%	761	39.51%	568	29.17%	673	32.25%
<b>QAR SUMMARY</b>										
Exemption - Peer Review	181	34.22%	220	33.23%	235	30.76%	169	27.93%	193	26.81%
Exemption - Limited Scope	212	40.08%	305	46.07%	384	50.26%	293	48.43%	377	52.36%
Audit Reports Submitted	21	3.97%	15	2.27%	21	2.75%	0	0.00%	0	0.00%
Review Reports Submitted	26	4.91%	38	5.74%	30	3.93%	35	5.79%	40	5.56%
Compilation Reports Submitted	80	15.12%	69	10.42%	86	11.26%	95	15.70%	99	13.75%
Agreed-upon Procedures Submitted	4	0.76%	6	0.91%	4	0.52%	11	1.82%	3	0.00%
Forecast Report Submitted	3	0.57%	1	0.15%	0	0.00%	0	0.00%	0	0.00%
Projection Report Submitted	2	0.38%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Internal Control	0	0.00%	2	0.30%	0	0.00%	0	0.00%	0	0.00%
No Response	0	0.00%	6	0.91%	4	0.52%	2	0.33%	8	1.11%
<b>Total</b>	<b>529</b>	<b>100.00%</b>	<b>662</b>	<b>100.00%</b>	<b>764</b>	<b>100.00%</b>	<b>605</b>	<b>100.00%</b>	<b>720</b>	<b>100.00%</b>

# 2013 Renewal Cycle Communication Plan

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## 2012

### **The Week of September 17, 2012** (this e-mail did not go out for 2012 but is set for Sept 2013)

#### *Secure Access Washington (SAW) Specific Notice*

The Board will provide communication to all CPA Firms, Licensees, Certificate Holders, and Nonlicensee Firm Owners (NLFO) that are up for renewal in 2013.

This notice will provide information solely for the purpose of reminding our renewing persons of their SAW accounts. Either letting them know they set up an account and need to log back in, or letting them know how to log in and create an account.

*This communication will be sent by e-mail only.*

### **The Week of October 15, 2012**

#### *CPE Specific Notice*

The Board will provide the CPE requirements to all Licensees, Certificate Holders, and NLFO that are up for renewal in 2013.

This communication will also include that renewals will be available January 1<sup>st</sup> and must be renewed by April 30<sup>th</sup>.

This communication will also include CPE extension information.

*This communication will be sent by e-mail on Monday, as well as on a post card on Friday.*

[NOVEMBER 1, 2012—CPE EXTENSION REQUEST FORM WILL BE AVAILABLE ON THE WEBSITE](#)

### **The Week of December 3, 2012**

#### *“Important Upcoming Dates and Deadlines” Notice*

The Board will provide communication to all CPA Firms, Licensees, Certificate Holders, and NLFO that are up for renewal in 2013.

This notice will provide information specific to date requirements and penalties for missed deadlines.

This communication will also include the SAW Registration information.

This communication will also include that renewals will be active January 1<sup>st</sup> and must be renewed by April 30<sup>th</sup>.

This communication will also include CPE Extension information.

*This communication will be sent by e-mail on Monday, as well as a letter on Friday.*

[DECEMBER 31, 2012 – FINAL DAY THE CPE EXTENSION REQUEST FORM CAN BE SUBMITTED](#)

# 2013 Renewal Cycle Communication Plan

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## 2013

### **The Week of January 7, 2013**

#### *Renewal Specific Notice*

The Board will provide communication to all CPA Firms, Licensees, Certificate Holders, and NLFO that are up for renewal in 2013, which have not already submitted their renewal.

This notice will provide information solely for the purpose of reminding our renewing persons that it is time to renew.

*This communication will be sent by e-mail on Monday, as well as on a post card on Friday.*

### **The Week of April 15, 2013**

#### *Late Fee Renewal Reminder Notice*

The Board will provide communication to all CPA Firms, Licensees, Certificate Holders, and NLFO that are up for renewal in 2013, which have not already submitted their renewal.

This notice will provide information solely for the purpose of reminding our renewing persons that April 30<sup>th</sup> is the deadline if they would like to avoid the \$100 late fee.

*This communication will be sent by e-mail on Tuesday (the day after tax closing), as well as on a post card on Friday.*

### **The Week of June 17, 2013**

#### *Final Notice*

The Board will provide communication to all CPA Firms, Licensees, Certificate Holders, and NLFO that are up for renewal in 2013, which have not renewed.

This notice will provide information solely for the purpose of reminding our renewing persons that the deadline to renew is June 30<sup>th</sup> or their credential will lapse.

*This communication will be sent by e-mail on Monday, as well as on a post card on Friday.*

# 2012 SMALL CABINET AGENCY BRIEFING FOR GOVERNOR'S TRANSITION TEAM

## Board of Accountancy-ACB 165

### ROLE/PURPOSE OF AGENCY

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The nine-member Board of Accountancy, in conjunction with the Board's support agency (AKA Board of Accountancy, serve consumer protection functions.

By Statute, RCW 18.04.045(5), the Executive Director of the agency is appointed by the Governor and is charged with authority and responsibility to employ such personnel as is appropriate for carrying out the purposes of the Public Accountancy Act, Chapter 18.04 RCW, and Board Rules, 4-30 WAC.

The nine-members of the Board are also appointed by the Governor. The Board serves as the rule making and disciplinary body, RCW 18.04.035; RCW 18.04.055. The Board may arrange for such volunteer assistance as it requires to perform its duties,RCW 18.04.045(5).

The Executive Director of the agency is responsible for ensuring that credentialed persons are:

- initially qualified,
- remain qualified by the periodic renewal and evaluation processes, and
- perform competently.

The Executive Director and the Board are responsible for ensuring that credentialed persons are held publicly accountable for the quality of professional services rendered.(RCW 18.04.04, subsections (7) through (10); RCW 18.04.295and .305; RCW18.04.370(3)).

The Board through its support agency also serves as the public authority to provide:

- Consumer alerts and public protection information regarding persons or firms who violatethe Public Accountancy Act or Board rules, and
- General consumer protection information.

## 2012 SMALL CABINET AGENCY BRIEFING FOR GOVERNOR'S TRANSITION TEAM

### EMPLOYEE OVERVIEW

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The agency is approved for 11.3 FTEs. Agency personnel are Not Represented. For state reporting purposes the nine-board members are included in agency head counts as 0.3 FTEs.

The Executive Director of the agency is Exempt.

The Executive Director currently employs 7.5 FTEs who are Non-Represented.

One additional future position may be required to prepare for succession in the near term.

TOTAL Positions: 1 FTE Exempt; 7 FTE incumbents; 1-50% FTE on Call for a total of 8.5 Non-Represented FTEs.

## 2012 SMALL CABINET AGENCY BRIEFING FOR GOVERNOR'S TRANSITION TEAM

### BUDGET OVERVIEW

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The Executive Director/Budget Manager seeks to sustain a 2.5M-2.6M biennial operating level of appropriated expenditures.

The agency and board activities are self-funded solely by license fees. Some cost recoveries occur. The agency receives no general fund monies. Fines are transferred to the General Fund.

	Budget	% Budget
I. Gross Salaries and Benefits	\$ 1,520,700	63%
II. Central Services Charges from General Fund Agencies:		
a) Attorney General	\$150,000	
b) Small Agency Accounting Services	139,000	
c) Other Central Services	182,700	
Total Central Services	\$ 471,700	19%
TOTAL, before IT, Travel and General Operating Costs	\$ 1,992,400	82%
III. Office Rent & Misc. Leases/Rentals	\$141,000	
IV. IT Enhancements & Annual Maintenance	118,000	
VI. Travel	80,000	
VII. Personal Service Contracts	20,000	
VIII. Other Operating costs	78,300	
Total Other Costs	\$ 437,300	18%
Total Routine Budgeted Expenditures	\$ 2,429,700	100%
One-Time IT Integration Project	\$ 175,000	
Grand Total	\$ 2,604,700	

**2012 SMALL CABINET AGENCY BRIEFING  
FOR GOVERNOR'S TRANSITION TEAM**

Budget by Major Programs and State Compliance Activities

Salaries & Benefits:

Initial and Recurring Assessments of Good Character, Initial & Continuing Education and Continuing Performance Quality		\$ 173,250
Complaint Processing, Investigations, and Proposed Resolutions		553,400
Board Hearings and other Support		81,850
State Compliance (GMAP, Quality Control)		124,200
IT Project Management		192,400
General External Communications to Promote Transparency		53,800
Public Records Management		182,900
Agency Administration and Management		159,900
	Salaries & Benefits	\$1,520,700
Other Costs:		
Central Service Charges	\$471,700	
Other Operating Costs	437,300	\$ 909,000
TOTAL Routine Budgeted Expenditures		\$ 2,429,700

Planned Non-Recurring Integration of IT Database, OnLine Registration & Payment System, and IT Supported Records Management System \$ 175,000

Total Budgeted For FY12-FY13 Biennium \$ 2,604,700

Legislative Expenditure Authority for the FY12-FY13 Biennium \$ 2,629,000

**TRANSITION POINT OF CONTACT**

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Richard C. Sweeney, CPA, Executive Director  
ricks@cpsboard.wa.gov  
(360) 586-0163

# 2012 SMALL CABINET AGENCY BRIEFING FOR GOVERNOR'S TRANSITION TEAM

## ORGANIZATION CHART

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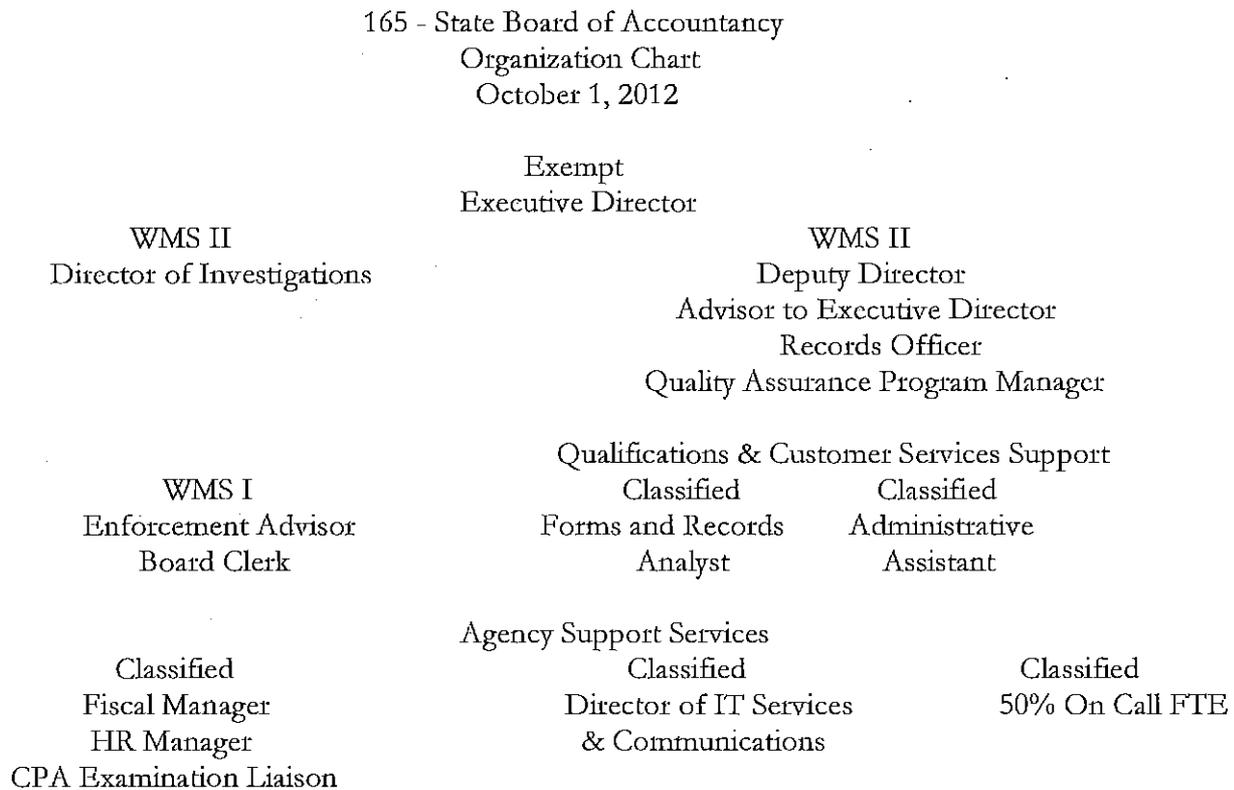
The Executive Director (Exempt) has responsibility and authority over all agency personnel.

The Executive Director, by Board delegation, directs Investigations and, therefore, the Director of Investigations, Deputy Director, IT & Communications Manager, and Fiscal Manager are 4 Direct Reports.

Deputy Director has 2.5 Direct Reports plus coordination of all agency functions excluding Investigations.

Director of Investigations has 1 Direct Report. (Possibly two in the near term)

IT/Communications Manager and Fiscal Manager have No Direct Reports.



## 2012 SMALL CABINET AGENCY BRIEFING FOR GOVERNOR'S TRANSITION TEAM

### HOT TOPICS

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#### Topic #1:

CPAs or unregistered tax preparers infrequently vanish or otherwise become unavailable to their clients and abandon their office locations. These unexpected actions by persons who generally hold large amounts of confidential information about individuals and businesses expose their clients' private data and information to possible identity theft and public dissemination of sensitive private information and data such as social security numbers, financial information, bank account and credit card numbers, diagnostic medical information, among others.

Neither the Public Accountancy Act nor Board of Accountancy rules provide for a state response for protection of this private and sensitive information. Furthermore, the agency's assigned Assistant Attorney's General have stated that neither the AGO, the Board of Accountancy nor this Executive Director have authority to seize these documents to protect the public. The AAGs suggested that in these cases landlords are responsible for disposing of the records in a "reasonable manner". In those instances where I personally seized those files, records, and other documents for safekeeping, notified the clients of how to obtain their records, and notified state and federal taxing authorities of the dilemma faced by these persons, the assigned AAGs expressed concerns that my actions exposed the state to tort liability and that possessing records that were not state property or public records was contrary to statute. However, in each instance, my actions were applauded by the clients and the taxing authorities. I point out that in certain of those instances the records likely would have ended up in the "landfill" or on a public street for taking by anyone passing by.

I respectfully suggest that legislation is necessary to provide state protection for the private and confidential information of the citizens of this state exclusive of the landlord acts currently existing. Given the sensitive nature of the types of information identified above, I suggest that one or more of the nine members of the Board of Accountancy, a representative from the Office of the Attorney General and other regulated professionals and a member of the general public, working with the Executive Director of the Board of Accountancy, might be appropriately responsible persons given the confidentiality and sensitivity of such information held by accounting professionals.

The Executive Director has prepared a draft of proposed legislation and will make that available if requested.

## 2012 SMALL CABINET AGENCY BRIEFING FOR GOVERNOR'S TRANSITION TEAM

Topic #2:

Neither the Public Records Act nor the Public Accountancy Act contain required specific exemptions for requests of detailed medical information of the type protected by the federal law (HIPPA) or the federal and/or state tax return information protected by the Internal Revenue Code and Federal Social Security Act maintained by the board's support agency.

The Board of Accountancy is charged with protecting consumers from unethical behavior and unprofessional and/or negligent performance that violates the public's trust. During investigations likely to result in revocation or suspension of a credential, respondents frequently provide such information in an effort to mitigate possible remedies.

I respectfully suggest that legislation is desirable to amend both the Public Records Act and the Public Accountancy Act to specifically protect such private, confidential, and sensitive data and other related information from public disclosure for all agencies in lieu of the specific exemptions that currently exist for specific agencies.

I firmly believe the legislation would be citizen responsible with state-wide agency approval. The time spent by specific agency public records personnel to decipher the applicability of agency specific exemptions and the central service charges to obtain related AAG advice on these specific matters could be significantly reduced without diminishing the transparency of how any agency does its public business.

The key players and those likely to oppose this type of legislation would be representatives of the plaintiffs bar, certain members of the Coalition for Open Government and certain other specific lobbyists supporting 100% transparency of all information possessed by regulatory and law enforcement agencies.

The Executive Director has prepared a draft of proposed legislation and will make that available if requested.

## 2012 SMALL CABINET AGENCY BRIEFING FOR GOVERNOR'S TRANSITION TEAM

### Topic #3:

The Public Accountancy Act 18.04 RCW does NOT provide for recognition (licensure) of foreign-based firms providing audit services. However, the U.S. Securities and Exchange Commission allows those audit organizations to render audit services to U.S. based affiliates (subsidiaries) of those foreign companies registered with the SEC. Accordingly, those foreign firms violate not only the Washington State Public Accountancy Act but also a majority of the accountancy acts in the United States.

Given the global nature of today's commerce and the fact that this state borders on Canada (a nation in which many global firms reside) with actual or potential subsidiaries of foreign based companies in this state that are registered on both the U.S. and Canadian stock exchanges, I respectfully suggest that it would be prudent to amend this state's accountancy act to allow those firms registered with the SEC to render SEC required audit and interim review services related to SEC filings.

This change would highlight Washington State as a desirable location for foreign-based companies to establish subsidiary offices and thereby contribute to this state's economy through employment and state taxation.

The audit services would be highly monitored by the Board of Accountancy in conjunction with the Public Company Accounting Oversight Board (PCAOB) and the U.S. Securities and Exchange Commission (SEC). The board through its support agency currently has authority in statute to "review the publicly available professional work of licensees on a general or random basis, without any requirement of a formal complaint or suspicion of impropriety on the part of any particular licensee." and to implement its investigative and disciplinary authority if necessary. (RCW 18.04.045(8))

The Executive Director has prepared a draft of proposed legislation and will make that available if requested.

## 2012 SMALL CABINET AGENCY BRIEFING FOR INCOMING AGENCY ADMINISTRATION TEAM

### HOT TOPICS

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Hot Topic #1: Within the first 30-90 days of the new administration:

Although the current Executive Director of the Agency (AKA Board of Accountancy) desires to be reappointed, succession planning is prudent.

The existing Executive Director has promoted an initiative for the nine-members of the Board and the CEO of the Washington Society of CPAs to identify one or more preferred successors in the event the newly elected Governor chooses to request input from those persons.

If not reappointed, I would welcome the opportunity to assist a successor in any way that the newly elected Governor might request.

# Investigation Statistics

Historical data: January 1990 through September 30, 2012

Year Opened	Number of Cases Opened	Number of Cases Closed
1990	79	68
1991	79	81
1992	83	83
1993	76	80
1994	83	67
1995	79	62
1996	78	91
1997	83	85
1998	93	109
1999	58	71
2000	33	40
2001	50	33
2002	45	58
2003	83	62
2004	144	92
2005	83	85
2006	131	64
2007	143	176
2008	90	99
2009	130	76
2010	99	182
2011	82	133
2012	53	31

As of September 30, 2012:

Active Cases: **59**  
Pending Cases: **5**  
**Total Open Cases** **64**

**Washington State Board of Accountancy  
Case Status Report**

	<u>9/30/10</u>	<u>12/31/10</u>	<u>2010</u>	<u>3/31/11</u>	<u>6/30/11</u>	<u>9/30/11</u>	<u>12/31/11</u>	<u>2011</u>	<u>03/31/12</u>	<u>06/30/12</u>	<u>09/30/12</u>
Beginning Cases	150	131	176	93	66	51	48	93	42	28	23
Cases Opened	34	13	99	18	19	30	15	82	7	4	42
Cases Closed	<u>-53</u>	<u>-51</u>	<u>-182</u>	<u>-45</u>	<u>-34</u>	<u>-33</u>	<u>-21</u>	<u>-133</u>	<u>-21</u>	<u>-9</u>	<u>-1</u>
<b>Remaining Cases</b>	<b><u>131</u></b>	<b><u>93</u></b>	<b><u>93</u></b>	<b><u>66</u></b>	<b><u>51</u></b>	<b><u>48</u></b>	<b><u>42</u></b>	<b><u>42</u></b>	<b><u>28</u></b>	<b><u>23</u></b>	<b><u>64</u></b>
Cases 07 and Older			14	10	6	5	3	3	2	2	2
Cases 09 and Newer			<u>79</u>	<u>56</u>	<u>45</u>	<u>43</u>	<u>39</u>	<u>39</u>	<u>26</u>	<u>21</u>	<u>62</u>
<b>Totals</b>			<b><u>93</u></b>	<b><u>66</u></b>	<b><u>51</u></b>	<b><u>48</u></b>	<b><u>42</u></b>	<b><u>42</u></b>	<b><u>28</u></b>	<b><u>23</u></b>	<b><u>64</u></b>
<b>Investigation Completed:</b>											
Attorney General	7	9		11	7	5	1		4	3	3
CBM	27	7		9	4	0	10		10	4	7
S&AO	55	53		23	11	7	7		2	2	15
CBM Dismissals	<u>9</u>	<u>4</u>		<u>0</u>	<u>1</u>	<u>1</u>	<u>2</u>		<u>1</u>	<u>0</u>	<u>0</u>
	<u>98</u>	<u>73</u>		43	23	13	20		17	9	25
<b>Investigation In Progress:</b>											
<b>Complaint Files</b>											
Active Investigation	14	20		19	17	17	11		5	9	9
<b>Agency Files</b>											
QAR	2	0		0	2	8	0		0	0	25
CPE	9	0		0	4	6	7		1	0	0
Admin	<u>8</u>	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
	<u>33</u>	<u>0</u>		<u>0</u>	<u>6</u>	<u>14</u>	<u>7</u>		<u>1</u>	<u>0</u>	<u>25</u>
<b>Total</b>	<b><u>131</u></b>	<b><u>93</u></b>		<b><u>62</u></b>	<b><u>46</u></b>	<b><u>44</u></b>	<b><u>38</u></b>		<b><u>23</u></b>	<b><u>18</u></b>	<b><u>59</u></b>
Active	129	90		62	46	44	38		23	18	59
Pending	<u>2</u>	<u>3</u>		<u>4</u>	<u>5</u>	<u>4</u>	<u>4</u>		<u>5</u>	<u>5</u>	<u>5</u>
<b>Total</b>	<b><u>150</u></b>	<b><u>131</u></b>		<b><u>66</u></b>	<b><u>51</u></b>	<b><u>48</u></b>	<b><u>42</u></b>		<b><u>28</u></b>	<b><u>23</u></b>	<b><u>64</u></b>
<b>Classification:</b>											
Code of Conduct	23	20		22	17	11	12		8	6	7
Competency	18	16		11	10	11	13		9	10	12
Title	26	18		6	6	2	1		1		1
Fraud	<u>6</u>	<u>5</u>		<u>7</u>	<u>6</u>	<u>9</u>	<u>6</u>		<u>7</u>	<u>6</u>	<u>5</u>
	73	59		46	39	33	32		25	22	25
<b>Administrative</b>											
QAR	21	13		8	5	8	1		0	1	39
CPE	<u>37</u>	<u>21</u>		<u>12</u>	<u>7</u>	<u>7</u>	<u>9</u>		<u>3</u>	<u>0</u>	<u>0</u>
	<u>58</u>	<u>34</u>		<u>20</u>	<u>12</u>	<u>15</u>	<u>10</u>		<u>3</u>	<u>1</u>	<u>39</u>
<b>Total</b>	<b><u>131</u></b>	<b><u>93</u></b>		<b><u>66</u></b>	<b><u>51</u></b>	<b><u>48</u></b>	<b><u>42</u></b>		<b><u>28</u></b>	<b><u>23</u></b>	<b><u>64</u></b>
<b>Closed cases:</b>											
Revocation - PH*	3	0	5	0	1	2	1	4	1		0
Suspension - PH*	1	6	8	4	6	3	3	16	1	2	0
Suspension - Other										2	0
Practice restriction - PH*	1	1	3	2	2	0	0	4	1	0	0
SAO-Fine/costs/other sanctions - PH*									1	0	1
Reinstatements	0	0	0	1	1	0	1	3	0	0	0
SAO-Fine/costs/other sanctions	8	18	68	24	13	7	9	53	3	3	0
Dismissals	11	17	57	12	8	12	1	33	9	2	0
Admin Sanctions	<u>29</u>	<u>9</u>	<u>41</u>	<u>2</u>	<u>3</u>	<u>9</u>	<u>6</u>	<u>20</u>	<u>5</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b><u>53</u></b>	<b><u>51</u></b>	<b><u>182</u></b>	<b><u>45</u></b>	<b><u>34</u></b>	<b><u>33</u></b>	<b><u>21</u></b>	<b><u>133</u></b>	<b><u>21</u></b>	<b><u>9</u></b>	<b><u>1</u></b>
<b>Other:</b>											
Complaints received not opened	<u>12</u>	<u>17</u>	<u>56</u>	<u>10</u>	<u>8</u>	<u>5</u>	<u>21</u>	<u>44</u>	<u>10</u>	<u>8</u>	<u>9</u>
PCAOB/Peer Review Monitoring	<u>28</u>	<u>34</u>		<u>29</u>	<u>25</u>	<u>20</u>	<u>25</u>		<u>23</u>	<u>25</u>	<u>25</u>
Administrative Sanctions-CPE Failures under 16 hour			<u>255</u>								

\* Public Harm



## Investigation Results/Statistics

### 2012

In carrying out its mission "to promote dependable, accessible financial information" the Board is responsible for investigating complaints against CPAs, CPA-Inactive certificateholders, and CPA firms. Complaints can originate from clients, other CPAs, federal or state regulators, or identified through agency oversight and review programs. Complaints result from allegations of technical errors, or ethical or legal violations. The Board has closed 31 cases during 2012. Complaints or inquiries originated from the following sources:

Source of Complaint		
Agency oversight programs/Board initiated	15	48%
Clients	10	32%
Employer/Employee	1	3%
Other CPAs		
Media		
Miscellaneous	4	13%
Anonymous		
Federal, state, local or foreign jurisdiction	1	3%
Self-reported		
Non-governmental professionally related standard-setting entity		
<b>Total</b>	<b>31</b>	

The 31 cases closed during 2012 resulted from the following allegations:

<b>Administrative</b>		
Failure to change address		
Failure to respond to Board oversight/inquiries	1	3%
Request for reinstatement of suspended license/certificate		
<b>Code of Conduct</b>		
Conflicts	2	6%
Confidentiality		
Failure to complete engagement	2	6%
Failure to pay individual federal income taxes		
Independence		
Misrepresentations/fees		
Professional misconduct	1	3%
Records retention	2	6%
<b>Competency</b>		
Noncompliance with technical standards including Quality Assurance Review	2	6%
Sanction/denial of practice privilege by a federal, state, local or foreign jurisdiction		
Sanction by non-governmental professionally related standard-setting entity		
Tax reporting errors	4	13%
Tax Lien USA Treasury	1	3%
<b>CPE</b>		
Failure to substantiate CPE on audit	8	26%
Failure to substantiate CPE on renewal	2	6%
<b>Fraud</b>		

Embezzlement	3	10%
Theft		
Conspiracy		
Other	1	3%
<b>Title Use:</b>		
Use of title or holding out in public practice by a nonCPA or non WA CPA	1	3%
Issuance or offering to issue audit, review, or compilation report by unauthorized individual		
Use of title or holding out in public practice with a lapsed license/certificate or no CPA firm license	1	3%
<b>Total:</b>	<b>31</b>	

The Board resolved the 31 cases during 2012 as follows:

<b>Closed via Board Order</b>		
Fine/costs/other sanctions	7	23%
Reinstatement of suspended license/certificate	1	3%
Practice restriction	1	3%
Suspension	5	16%
Revocation	1	3%
<b>Administrative Sanctions Imposed</b>	<b>5</b>	<b>16%</b>
<b>Lack of evidence of violation</b>	<b>11</b>	<b>35%</b>
<b>Total</b>	<b>31</b>	

See Also:

[2012 License and certificate suspensions \(including stayed suspension\) and revocations](#)

[2012 Other Board Orders](#)

[Back to Investigation Statistics Main Page](#)