

Texas State Board of Public Accountancy
Board Meeting Agenda
January 14, 2016

- I. Call to order and roll call – 10:00 a.m., January 14, 2016I-1
- II. Approval of the November 19, 2015 Board meeting minutes..... II-1
- III. Consideration of report and recommendations of the Executive Committee.....III-1
 - A. Review and possible action on the Board’s financial statements..... III-3
 - B. Internal Audit report..... III-21
 - 1. Audit follow-up: Internal Audit of the Information Systems – Logical and Physical Security (FY 2015)
 - 2. Fiscal Year 2015 Internal Audit Annual Report
 - 3. Internal Audit Plan for FY 2016
 - C. Review of NASBA/AICPA matters: III-65
 - NASBA dates of interest:
 - 1. 34th Annual Conference for Executive Directors and Board Staff
March 15-17, 2016 in Tucson, AZ.
 - 2. 21st Annual Conference for Board of Accountancy Legal Counsel
March 15-17, 2016 in Tucson, AZ.
 - 3. Western Regional Meeting – June 22-24, 2016 in Denver, CO.
 - 4. 109th Annual Meeting – October 30 – November 2, 2016 in Austin, TX
 - D. Review of open records letter ruling OR2015-25090 III-67
- IV. Consideration of report and recommendation of the Rules Committee..... IV-1
 - A. Discussion, consideration, and possible action concerning proposed amendments to Board Rules 513.10 (*Firm License*) and 513.11 (*Qualifications for Non-CPA Owners of Firm License Holders*) clarifying that a CPA firm may have professional corporation ownership..... IV-3
 - B. Discussion, consideration, and possible action on a proposed revision to Board Rule 523.131(b)(3) (*Board Approval of Ethics Course Content*) to require ethics course providers to have in their presentation and materials information on the services available to licensees from the Accountants Confidential Assistance Network (ACAN)..... IV-9
 - C. Discussion, consideration, and possible action on proposed revisions to the AICPA/NASBA Model Uniform Accountancy Act and Model Rules to create a “Retired” status for Certified Public Accountants IV-13
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Meeting – January 6, 2016

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- 2. Investigation Nos. 15-10-08L and 15-10-09L V-1
- 3. Investigation Nos. 15-10-17L and 15-10-18L V-1
- 4. Investigation Nos. 15-09-05L and 15-09-06L V-1
- 5. Investigation Nos. 15-10-01L and 15-10-02L V-1
- 6. Investigation Nos. 14-12-03L, 14-12-04L and 14-12-05L V-1
- 7. Investigation Nos. 15-04-04L and 15-04-05L V-1
- 8. Investigation Nos. 15-09-11L and 15-09-12L V-1
- 9. Investigation Nos. 15-09-03L and 15-09-04L V-1

B. Cases pending V-1

C. Schedule next meeting..... V-1

VI. Discussion, consideration, and possible action on the report of the Technical Standards Review Committee..... VI-1

Meeting – December 8, 2015

A. Dismissal – Lack of evidence

- Investigation Nos. 15-01-28L and 15-08-29L VI-1

B. Other – Status report..... VI-1

C. Next meeting date – February 9, 2016 VI-1

VII. Report on the Enforcement Division’s Probation Monitoring System..... VII-1

VIII. Report on the Unauthorized Practice of Public Accountancy Program VIII-1

IX. Discussion, consideration, and possible action on Proposed Agreed Consent Orders, Proposals for Decision, Agreed Cease and Desist Orders, and Proposed Default Judgment Board Order..... IX-1

A. Agreed Consent Orders

Behavioral Enforcement Committee

- 1. Investigation No.15-11-01L..... IX-3
- 2. Investigation Nos. 15-01-18L and 15-01-19L IX-3
- 3. Investigation Nos. 15-02-08L, 15-02-09L, 15-05-09L and 15-05-10L..... IX-4
- 4. Robert McLean and Robert McLean (Firm) IX-4
- 5. Investigation No. 15-05-05L..... IX-5
- 6. Investigation No. 15-03-03L..... IX-5

Technical Standards Review Committee

- 1. Investigation Nos. 15-07-01L and 15-07-02L IX-6
- 2. Investigation Nos. 15-06-06L and 15-06-07L IX-6

B. Mass Hearings

- 1. Investigation Nos. 15-08-10001 – 15-08-10031 IX-7
- 2. Investigation Nos. 15-09-10001 – 15-09-10035 IX-7
- 3. Investigation Nos. 15-08-10032 – 15-08-10192 IX-8
- 4. Investigation Nos. 15-09-10036 – 15-09-10198 IX-8
- 5. Investigation Nos. 15-08-10193 – 15-08-10203 IX-8
- 6. Investigation Nos. 15-09-10199 – 15-09-10216 IX-8

C. Proposed Default Judgment Board Order

- Jacqueline R. Morrison IX-8

X. **Review of future meetings/hearing schedules..... X-1**

XI. **Adjournment XI-1**

Agenda Item I

Call to Order and Roll Call

January 14, 2016

- I. **DISCUSSION:** The meeting will be called to order, *en banc*, at 10:00 a.m., January 14, 2016 in the Board's office, at which time the roll will be called.
- II. **RECOMMENDATION:** None required
- III. **SUGGESTED MOTION:** None required

Agenda Item II

Approval of the November 19, 2015 Minutes

January 14, 2016

- I. **DISCUSSION:** The enclosed minutes of the November 19, 2015 Board meeting were kept in accordance with established procedures and reflect the business conducted.
- II. **RECOMMENDATION:** The staff recommends that the minutes of the November 19, 2015 Board meeting be approved as submitted/amended.
- III. **SUGGESTED MOTION:** That the minutes of the November 19, 2015 Board meeting be approved as submitted/amended.

Texas State Board of Public Accountancy
November 19, 2015

The Texas State Board of Public Accountancy met from 10:00 a.m. until 11:34 a.m. on November 19, 2015, at 333 Guadalupe, Tower 3, Suite 900, Austin, Texas 78701-3900. A notice of this meeting containing all items on the agenda was filed with the Office of the Secretary of State at 4:51 p.m. on November 10, 2015. (TRD #2015-007807). (ATTACHMENT 1)

Board Members Present

J. Coalter Baker, CPA
Presiding Officer
John R. Broadus, CPA
Jonathan B. Cluck, Esq.
Rocky L. Duckworth, CPA
Member-at-Large
Susan Fletcher
Donna J. Hugly, CPA
Assistant Presiding Officer
Ross T. Johnson, CPA
Timothy L. LaFrey, Esq. CPA
William Lawrence
Member-at-Large
Robert M. McAdams, CPA
Treasurer
Roselyn E. Morris, PhD, CPA
Benjamin Peña, CFE, CPA
Steve D. Peña, CPA
Secretary
Kimberly E. Wilkerson, Esq.
Phillip W. Worley

Others Present

Frank McElroy, Esq.
Sean McVey, CPA
Mark Vane, Esq.

Staff Present

Bryce Beasley
Paulette Beiter, Esq.
Roel Cantu
Ismael Castillo
Jennifer Costilla
Karen Davis
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
Joseph Jaffe
Marissa Mahoney
Natalie Miller
Virginia Moher, Esq., CPA
Julie Prien
Marisa Rios
April Serrano
Andrea Smith
Jonathan Smith
William Treacy

- I. Mr. Baker, Presiding Officer, called the meeting to order at 10:00 a.m. Mr. Treacy called roll and declared a quorum.

At this time, the following five new Board Members were introduced:

1. Ross T. Johnson, CPA, of Houston
2. Timothy L. LaFrey, Esq., CPA, of Austin
3. Roselyn Morris, PhD, CPA, of San Marcos
4. Benjamin Peña, CFE, CPA, of Brownsville
5. Kimberly Wilkerson, Esq., of Lubbock

Mr. Baker presented service awards to the following staff members:

1. Jennifer Costilla – 10 years of service
2. Virginia Moher, Esq., CPA – 10 years of service

- II. Mr. Cluck moved to approve the September 17, 2015 Board meeting minutes as presented. Mr. Worley seconded the motion and it passed unanimously.

III. Mr. Baker, Executive Committee Chair, reported on the November 18, 2015 committee meeting.

Members Present

J. Coalter Baker, CPA
Rocky L. Duckworth, CPA

Staff Present

Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
William Treacy

- A. Ms. Fletcher moved to approve the Board's FY 2015 Annual Financial Report, end-of-year overview, and September FY 2016 financial statements as presented. Mr. McAdams seconded the motion and it passed unanimously.
- B. Mr. Baker reported that the Audit/Executive Committee will review the Board's internal audit plan for FY 2016 at the January 2016 meeting.
- C. Mr. Cluck moved to approve the following Committee and Board meeting dates for CY 2016. Ms. Hugly seconded the motion and it passed unanimously.

January 13 – 14, 2016
March 23 -24, 2016
May 11 – 12, 2016

July 13 – 14, 2016
September 21 – 22, 2016
November 16 – 17, 2016

D. The following was presented:

- 1. Mr. Baker reported on NASBA's 108th Annual Meeting held October 25-28, 2015 in Dana Point, California.
- 2. Mr. Baker informed the Board that the committee had discussed and reviewed an exposure draft concerning retired CPA status and no action was taken at this time.

E. Mr. Broadus moved to approve the following FY 2015 contract amendments. Mr. S. Peña seconded the motion and it passed unanimously.

FY 2015 – Amendments

1. Harper & Pearson Company, PC	9/1/14 – 8/31/15	\$3,026.45
(Increase by \$3,026.45 from \$210,000 to \$213,026.45)		
2. Allen, Pinnix & Nichols, PA	9/1/14 – 8/31/15	\$280.00
(Increase by \$280.00 from \$5,000 to \$5,280.00)		

F. Mr. Baker reported on thank you notes from the public.

G. Mr. Duckworth moved to approve the following slate of officers and members-at-large for the Executive Committee. Mr. Cluck seconded the motion, and it passed unanimously.

- | | |
|--------------------------------|-------------------------|
| 1. Assistant Presiding Officer | Donna J. Hugly, CPA |
| 2. Treasurer | Robert M. McAdams, CPA |
| 3. Secretary | Steve D. Peña, CPA |
| 4. Member-at-Large | William Lawrence |
| 5. Member-at-Large | Rocky L. Duckworth, CPA |

IV. Mr. Baker, Rules Committee Chair, reported on the Rules Committee meeting held November 18, 2015.

Members Present

J. Coalter Baker, CPA
Rocky L. Duckworth, CPA
William Lawrence

Member Absent

Steve D. Peña, CPA

Others Present

Gary McIntosh, CPA

Staff Present

Tiffney Duncan
J. Randel Hill, Esq.
Donna Hiller
Marisa Rios
William Treacy
Daniel Weaver

- A. Mr. Baker reported that the committee tabled proposed amendments to Board *Rules 513.10 (Firm License)* and *513.11 (Qualifications for Non-CPA Owners of Firm License Holders)* pending additional information and instruction from the Secretary of State's Office to expand the language in the proposed revisions to include professional organizations.
- B. The next committee meeting was scheduled for January 13, 2016.
- V. Mr. McAdams, Qualifications Committee member, reported on the November 6, 2015 committee meeting.
 - A. Mr. Broaddus moved to approve sending a letter signed by Mr. Baker and Mr. Treacy regarding the AICPA's *Exposure Draft: Maintaining the Relevance of the Uniform CPA Examination*. Ms. Fletcher seconded the motion and it passed unanimously.
 - B. Mr. McAdams reported that the committee reviewed correspondence from NASBA relating to changes prior to the launch of the new CPA Examination format scheduled for 2017 Q-2.
 - C. Mr. McAdams informed the Board that the committee considered a request from Western Governors University (WGU) to recognize its accounting curriculum to meet the Board's educational requirements for the CPA Examination. He also mentioned that a letter will be sent to WGU citing the Board's rules that address the education requirements.
 - D. Mr. McAdams reported that the committee considered Board *Rule 511.58(c) (Definitions of Related Business Subjects and Ethics Courses)* and no action was taken.
 - E. Mr. McAdams reported that the committee discussed correspondence received from NASBA concerning investigations of universities and accrediting bodies that are purportedly engaging in allegedly fraudulent activities.
 - F. Mr. McAdams informed the Board that the committee had reviewed CPA Exam Performance Reports for 2015 Q-1, Q-2, and Q-3 compiled by NASBA.
 - G. Mr. McAdams reported that the committee had reviewed information from NASBA that required no Board action.
- VI. Mr. Baker, Presiding Officer, reported on the plans for the Board's December 5, 2015 swearing-in ceremony being held at the Austin Palmer Events Center.
- VII. Ms. Hugly, Behavioral Enforcement Committee member, reported on the October 20, 2015 committee meeting.

Members Present

J. Coalter Baker, CPA
John R. Broaddus, CPA
Jonathan B. Cluck, Esq.
Donna J. Hugly, CPA
James D. Ingram, IV, CPA
Ben Peña, CFE, CPA

Members Absent

Maribess L. Miller, CPA
Donald W. Harcum, CPA

Staff Present

Paulette P. Beiter, Esq.
J. Randel Hill, Esq.

- A. Mr. S. Peña moved to dismiss the following investigations based on insufficient evidence of a violation of the *Rules* or *Act*. Mr. Worley seconded the motion and it passed.
 - 1. Investigation No. 13-08-02L¹
 - 2. Investigation Nos. 15-04-10L¹ and 15-04-11L¹
 - 3. Investigation Nos. 15-05-06L¹ and 15-05-07L¹
 - 4. Investigation Nos. 15-08-05L¹ and 15-08-06L¹
 - 5. Investigation Nos. 15-08-01L¹ and 15-08-02L¹
 - 6. Investigation Nos. 14-09-13L¹ and 14-09-14L¹
 - 7. Investigation No. 15-08-07L¹
- B. Other – The committee considered three other investigations, which require no Board action at this time.

C. The next committee meeting was scheduled for January 6, 2016.

VIII. Mr. Duckworth, Technical Standards Review Committee Chair, reported on the October 6, 2015 committee meeting.

Members Present

Rocky L. Duckworth, CPA
Everett R. Ferguson, CPA
David L. King, CPA

Michael McConnell, CPA
Steve D. Peña, CPA
W. David Rook, CPA

Staff Present

J. Randel Hill, Esq.
Virginia Moher, Esq., CPA

A. Mr. Broaddus moved to dismiss the following investigations based on insufficient evidence of a violation of the *Rules* or *Act*. Mr. Cluck seconded the motion and it passed.

1. Investigation Nos. 15-06-04L² and 15-06-05L²
2. Investigation No. 15-04-03T²

B. Mr. Broaddus moved to dismiss the following investigations based on voluntary compliance with the *Rules* or *Act*. Mr. Cluck seconded the motion and it passed.

1. Investigation No. 15-07-05L²
2. Investigation Nos. 15-01-03L² and 15-01-04L²

C. Other – The committee considered five other investigations, which require no Board action at this time.

D. The next committee meeting was scheduled for December 8, 2015.

IX. Ms. Moher, Staff Attorney, reported on the status of the Enforcement Division's probation monitoring docket.

X. Mr. Hill, General Counsel, reported on the status of investigations into alleged violations of *Subchapter J* of the *Public Accountancy Act*, regarding the unauthorized practice of public accountancy.

XI. The Board took the following actions on Agreed Consent Orders, Proposals for Decisions, Agreed Cease and Desist Orders and a Proposed Default:

A. Agreed Consent Orders

Behavioral Enforcement Committee

Mr. S. Peña moved to approve the following Agreed Consent Orders (ACOs) as presented. Ms. Fletcher seconded the motion and it passed.

1. Investigation Nos.:	15-05-13L, 15-05-14L, 15-06-01L & 15-06-02L	Hometown:	Midlothian, TX
Respondents:	Richard Arthur Fromm & Richard A. Fromm (Firm)	Certificate No.:	016400
Rule Violations:	501.90(12), 501.74(b)	Firm License No.:	T06553
Act Violation:	901.502(6)		

Respondent and Respondent Firm entered into an ACO with the Board whereby Respondents were reprimanded. In addition, Respondents must pay an administrative penalty of \$1,000 and \$241.40 in administrative costs within 30 days of the date of the Board Order. Respondents failed to respond to clients' inquiries regarding the status of their tax returns.¹

2. Investigation Nos.:	15-04-14L & 15-04-15L	Hometown:	San Antonio, TX
Respondents:	Richard James Garcia & Richard J. Garcia, CPA, P.C. (Firm)	Certificate No.:	064142
Rule Violation:	501.74(b)	Firm License No.:	C08589
Act Violation:	901.502(6)		

Respondent and Respondent Firm entered into an ACO with the Board whereby Respondents were reprimanded. In addition, Respondents must pay administrative costs of \$117.93 within 30 days of the date of the Board Order. Respondent failed to complete an engagement in a timely manner.¹

- | | | | | |
|----|----------------------------|--|--------------------------|-------------------|
| 3. | Investigation Nos.: | 14-11-10L & 14-11-11L | Hometown: | Wichita Falls, TX |
| | Respondents: | Michael Styles & Styles
and Associates (Firm) | Certificate No.: | 041072 |
| | Rule Violations: | 501.74(b), 501.90(2), 501.90(11) | Firm License No.: | P04376 |
| | Act Violation: | 901.502(6) | | |

Respondent and Respondent Firm entered into an ACO with the Board whereby Respondents were reprimanded. In addition, Respondents must pay an administrative penalty of \$10,000 and \$96.48 in administrative costs within 30 days of the date of the Board Order. Respondent failed to comply with a court order to appear before the court while acting as plan administrator for an estate and was held in contempt.¹

Mr. Broaddus moved to approve the following Agreed Consent Orders as presented. Mr. Cluck seconded the motion and it passed.

- | | | | | |
|----|----------------------------|--|--------------------------|-------------------------------|
| 4. | Investigation Nos.: | 14-10-19L, 14-10-20L, 14-12-11L,
14-12-12L, 14-12-19L, 14-12-20L,
15-01-11L, 15-01-12L, 15-01-13L, 15-01-14L | Hometowns: | Borger, TX and
Liberal, KS |
| | Respondents: | Carol Lea Mahler & Carol L. Mahler, CPA,
PC (Firm) | Certificate No.: | 064255 |
| | | | Firm License No.: | C05868 |

Respondent entered into an ACO with the Board whereby Respondent's certificate was involuntarily surrendered. The Respondent had originally agreed to have her individual license suspended by the Board, which the Board accepted on May 21, 2015. This agency imposed a suspension of her license based upon her failure to comply with a Kansas Board order. The Respondent then asked that the Board vacate her suspension and accept her involuntary surrender of her certificate.

B. Mass Hearings

Mr. Broaddus moved to approve the following Proposals for Decision as presented. Mr. S. Peña seconded the motion and it passed unanimously.

1. **Respondents: In the Matter of Disciplinary Action Against Certain Licensees for Nonpayment of Professional Fees for Three Consecutive License Periods**

The respondents failed to pay their licensing fees for three consecutive license periods. Following the public hearing, an Administrative Law Judge (ALJ) of the State Office of Administrative Hearings recommended that the certificate of each respondent not in compliance be revoked without prejudice. Each respondent may regain his or her certificate by paying all license fees and penalties and by otherwise coming into compliance with the Act. (ATTACHMENT 2)

Docket	Investigation Numbers	Scheduled Hearing
457-15-3712	15-06-10001 – 15-06-10034	July 28, 2015
457-15-4179	15-07-10001 – 15-07-10024	August 25, 2015

2. **Respondents: In the Matter of Disciplinary Action Against Certain License Holders for CPE Delinquencies**

The respondents failed to comply with CPE reporting requirements found in *Chapter 523* of the Rules and *Section 901.411* of the Act. Following the scheduled public hearing, an Administrative Law Judge (ALJ) of the State Office of Administrative Hearings recommended that the license of each respondent not in compliance be suspended for a period of three years, or until he or she complies with the licensing requirements of the Act, whichever is sooner. Additionally, the ALJ recommended a \$100 penalty be imposed for each year a respondent is not in compliance with the Board's CPE requirements. (ATTACHMENT 3)

Docket	Investigation Numbers	Scheduled Hearing
457-15-3713	15-06-10035 – 15-06-10187	July 28, 2015
457-15-4180	15-07-10025 – 15-07-10177	August 25, 2015

3. Respondents: In the Matter of Disciplinary Action Against Certain Certificate Holders for Failure to Complete License Notice

The respondents failed to complete their license renewal notices in accordance with *Section 515.3* of the Board's *Rules*. Following a public hearing, an Administrative Law Judge (ALJ) of the State Office of Administrative Hearings recommended that the certificate of each respondent not in compliance be revoked without prejudice until such time as the respondent complies with the requirements of the *Rules* and the *Act*. (ATTACHMENT 4)

Docket	Investigation Numbers	Scheduled Hearing
457-15-3714	15-06-10188 – 15-06-10194	July 28, 2015
457-15-4181	15-07-10178 – 15-07-10192	August 25, 2015

C. Agreed Cease and Desist Orders

Mr. Broadus moved to approve the following Agreed Cease and Desist Order (ACDO) as presented. Mr. Lawrence seconded the motion and it passed unanimously.

Investigation No.:	15-09-06N	Hometown:	El Paso, TX
Respondent:	Douglas L. Rutter		
Act Violations:	901.453, 901.456		

Respondent entered into an ACDO with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the *Act*, and until or unless Respondent has obtained a license to practice accountancy in Texas. Respondent used the title "accountant" and provided an attest service, specifically a compilation, although Respondent does not hold a license in Texas. This action constitutes a violation of *Act Sections 901.453* and *901.456*.

D. Proposed Default Judgment Board Order

Mr. Cluck moved to approve the following Proposed Default Judgment Board Order as presented. Mr. McAdams seconded the motion and it passed unanimously.

Investigation Nos.:	12-02-25L & 12-02-26L	Hometown:	San Antonio, TX
SOAH Docket No.:	457-15-5090	Certificate No.:	055885
Respondents:	Rudy Daniel Serrata & Rudy Daniel Serrata (Firm)	Firm License No.:	T04043
Rule Violation:	501.90(18)		
Act Violations:	901.502(6), 901.502(11)		

On January 23, 2014, the Board ratified an Order wherein: 1) Respondents violated the Board's *Rules of Professional Conduct* and the *Act*; 2) Respondent Serrata's Texas CPA certificate, license and firm license were suspended for five years; and 3) Respondents were required to pay the Board's direct administrative costs and a \$25,000 administrative penalty 30 days after the ratification of the Order. Respondent Serrata has not paid the Board its direct administrative costs or the \$25,000 administrative penalty. Pleadings were filed with SOAH and after notice of hearing, Respondent failed to appear. The SOAH ALJ granted staff's *Motion for Default*. Staff asks the Board for a default Order finding that: 1) Respondent violated Board *Rules 501.90(18)*, as well as *Sections 901.502(6)* and *901.502(11)* of the *Act*; 2) Respondent Serrata's certificate and firm license be revoked; and, 3) Respondent be assessed \$25,000 in administrative penalties; and \$120.33 in administrative costs.

E. Proposal for Decision

Mr. Broadus moved to approve the following Proposal for Decision as presented. Ms. Fletcher seconded the motion and it passed unanimously.

Investigation No.:	05-03-10038	Hometown:	Ontario, Canada
SOAH Docket No.:	457-15-3393	Certificate No.:	067430
Respondent:	Saiful Amin Bhuiyan		
Rule Violation:	501.90(18)		
Act Violations:	901.502(6), 901.502(11)		

The SOAH ALJ issued a Proposal for Decision (PFD) finding that Respondent violated Board *Rule 501.90(18)*, as well as *Act Sections 901.502(6)* and *901.502(11)*. The ALJ recommended in the PFD that the Board revoke Respondent's CPA license and certificate. The Board accepted the ALJ's recommendation to revoke the certificate.

XII. Ms. Fletcher moved to adopt **Section 527.4 (Enrollment and Participation)** as presented. Ms. Hugly seconded the motion and it passed unanimously. (ATTACHMENT 5)

XIII. Mr. Baker reviewed the schedule of future Board meetings.

At this time, the Board went into executive session at 11:34 a.m. to seek the advice from the general counsel. Upon return from executive session at 12:07 p.m., Mr. Baker adjourned the meeting.

XIV. Mr. Baker adjourned the meeting at 12:07 p.m.

ATTEST:

J. Coalter Baker, CPA, Presiding Officer

Steve D. Peña, CPA, Secretary

¹ Mr. Baker, Mr. Broaddus, Mr. Cluck, Ms. Hugly and Mr. B. Peña recused themselves from participating in this matter.
² Mr. Duckworth and Mr. S. Peña recused themselves from participating in this matter.

III

Agenda Item III

Report of the Executive Committee

January 13, 2016

- A. Review and possible action on the Board's financial statements
- B. Internal Audit report
 - 1. Audit follow-up: Internal Audit of the Information Systems – Logical and Physical Security (FY 2015)
 - 2. Fiscal Year 2015 Internal Audit Annual Report
 - 3. Internal Audit Plan for FY 2016
- C. Review of NASBA/AICPA matters:
 - NASBA dates of interest:
 - 1. 34th Annual Conference for Executive Directors and Board Staff – March 15-17, 2016 in Tucson, AZ.
 - 2. 21st Annual Conference for Board of Accountancy Legal Counsel – March 15 – 17, 2016 in Tucson, AZ.
 - 3. Western Regional Meeting – June 22-24, 2016 in Denver, CO.
 - 4. 109th Annual Meeting – October 30 – November 2, 2016 in Austin, TX
- D. Review of open records letter ruling OR2015-25090

Agenda Item III

Report of the Executive Committee

January 13, 2016

A. Review and possible action on the Board's financial statements

DISCUSSION: The presiding officer will present the Board's financial statements.

RECOMMENDATION: The staff recommends that the Board's financial statements be approved as presented.

SUGGESTED MOTION: That the Board's financial statements be approved as presented.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
 Financial Overview
 For the Three Months Ended November 30, 2015

	Actual	Budget YTD	Variance	Percent
Revenues - YTD	\$ 1,766,650	\$ 1,556,071	\$ 210,579	13.5%
Expenditures - YTD	\$ 1,377,202	\$ 1,368,173	\$ 9,029	0.7%
Net - YTD	389,448	187,899	201,550	
Transfer Out - SDSI annual payment (pro rata accrual)	\$ 58,612	\$ 58,612	\$ -	0.0%

Revenues: See *Revenue Budget Summary* for additional information

- revenue collected over budget by 13.5%
 - License fees and exam fees slightly over budget
 - Late payment fees and direct administrative costs over budget due to collection of \$83,333 (see Schedule B).

Expenditures: See *Expenditure Budget Summary* for additional information

- expenditures over budget by 0.7%
 - See *Expenditure Budget Summary* for discussion of budget items.

EXHIBIT II	
Beginning Fund Balance 9/01/15	\$ 2,443,315
Revenues	1,766,650
Expenditures	(1,370,443)
Other Financing Sources (Uses)	(164,352)
Ending Fund Balance 11/30/15	\$ 2,675,171
net increase/(reduction) in FB	\$ 231,856

Budget Expenditures include encumbrances of \$6,240.91; EXH II expenditures include prior year accrual reversals of \$518.34.

Performance Measures:

	Sept. 15-Nov. 15	Dec. 15-Feb. 16	Mar. 16-May 16	June 16-Aug. 16	YTD	FY 15
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.		
Exam Related Measures:						
Individuals examined	3,004				3,004	11,512
Sections Taken	3,870				3,870	15,528
Average Sections Taken per Individual	1.29	#DIV/0!	#DIV/0!	#DIV/0!	1.29	1.35
Licensing Related Measures:						
Number of individuals licensed	72,173				not cumulative	72,158
Number of business facilities licensed (firms)	9,660				not cumulative	9,758
Number of Peer Reviews conducted	345				345	230
Sponsor Review Program Related Measures:						
Number of CPE Sponsors Reviewed	43				43	217
Number of CPE Sponsors Subject to Review	602				not cumulative	607

Enforcement Related Measures:

Administrative:

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	YTD	FY 15
Open cases, Beginning	1,046	886	886	886	1,046	1,059
Cases opened	632				632	2,594
Cases closed	(792)				(792)	(2,607)
Previous quarter adjustment					-	
Open cases, Ending	886	886	886	886	886	1,046

Average time for complaint resolution (days)	150.3				150.3	154.2
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Disciplinary:

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	YTD	FY 15
Open cases, Beginning	321	301	301	301	321	307
Cases opened	70				70	346
Cases closed	(92)				(92)	(315)
Previous quarter adjustment	2				2	(17)
Open cases, Ending	301	301	301	301	301	321

Average time for complaint resolution (days)	146.7				146.7	162.3
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Cases opened and closed categories include adjustments for reclassification of cases and report timing.

Texas State Board of Public Accountancy
 Exhibit I - Combined Balance Sheet/Statement of Net Assets - Governmental Funds
 November 30, 2015

	Governmental Fund				Statement of Net Assets
	Types				
	General Funds (EXH A-1)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash on Hand	\$ 48,118.00	\$ 48,118.00	\$ -	\$ -	\$ 48,118.00
Cash in Bank	-	-	-	-	-
Cash in Bank - Treasury Safekeeping Trust	33,468.75	33,468.75	-	-	33,468.75
Cash in State Treasury	1,354,580.71	1,354,580.71	-	-	1,354,580.71
Repurchase Agreement - Treasury Safekeeping Trust	3,860,211.15	3,860,211.15	-	-	3,860,211.15
Due From Other Funds - TTSTF (Note A)	-	-	-	-	-
Consumable Inventories	74,498.49	74,498.49	-	-	74,498.49
Total Current Assets	<u>5,370,877.10</u>	<u>5,370,877.10</u>	-	-	<u>5,370,877.10</u>
Non-Current Assets:					
Capital Assets:					
Depreciable					
Furniture and Equipment	-	-	124,481.56	-	124,481.56
Accumulated Depreciation	-	-	-	-	-
Vehicle, Boats, and Aircraft	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
Other Capital Assets	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
Other Non-Current Assets	-	-	-	-	-
Total Non-Current Assets	-	-	124,481.56	-	124,481.56
Total Assets	<u>\$ 5,370,877.10</u>	<u>\$ 5,370,877.10</u>	<u>\$ 124,481.56</u>	<u>\$ -</u>	<u>\$ 5,495,358.66</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Payables From:					
Vouchers Payable	\$ 74,136.12	\$ 74,136.12	\$ -	\$ -	\$ 74,136.12
Accounts Payable	270,402.76	270,402.76	-	-	270,402.76
Payroll Payable	(25.00)	(25.00)	-	-	(25.00)
Refunds Payable	-	-	-	-	-
Due To Other Funds - TTSTF (Note A)	-	-	-	-	-
Funds Held for Others	1,854,355.27	1,854,355.27	-	-	1,854,355.27
Employees Compensable Leave	-	-	-	51,043.53	51,043.53
Total Current Liabilities	<u>2,198,869.15</u>	<u>2,198,869.15</u>	-	<u>51,043.53</u>	<u>2,249,912.68</u>
Non-Current Liabilities:					
Employees Compensable Leave	-	-	-	257,289.20	257,289.20
Total Non-Current Liabilities	-	-	-	257,289.20	257,289.20
Total Liabilities	<u>2,198,869.15</u>	<u>2,198,869.15</u>	-	<u>308,332.73</u>	<u>2,507,201.88</u>
FUND FINANCIAL STATEMENT-FUND BALANCES					
Fund Balances (Deficits):					
Nonspendable					
Committed:	74,498.49	74,498.49	-	-	74,498.49
Board Policy Reserve	2,044,009.00	2,044,009.00	-	-	2,044,009.00
Other	1,053,500.46	1,053,500.46	-	-	1,053,500.46
Total Fund Balances	<u>3,172,007.95</u>	<u>3,172,007.95</u>	-	-	<u>3,172,007.95</u>
Total Liabilities and Fund Balances	<u>\$ 5,370,877.10</u>	<u>\$ 5,370,877.10</u>	-	-	<u>\$ 5,495,358.66</u>
GOVERNMENT-WIDE STATEMENT-NET ASSETS					
Net Assets:					
Invested in Capital Assets, Net of Related Debt					
Restricted	-	-	124,481.56	-	124,481.56
Unrestricted	-	-	-	(308,332.73)	(308,332.73)
Total Net Assets	-	-	<u>\$ 124,481.56</u>	<u>\$ (308,332.73)</u>	<u>\$ 2,988,156.78</u>

* Column totals should agree to Exhibit II column totals.

Note A: Transfers between accounts in TTSTC pending



Texas State Board of Public Accountancy
 Exhibit A-1 - Balance Sheet - All General and Consolidated Funds
 November 30, 2015

	(1000) U/F (1002)	(0858) U/F (7106, 6106)	(1009) U/F (1009, 2858)	Total (EXH I)
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 7,050.00	\$ 510.00	\$ 40,558.00	\$ 48,118.00
Cash in Bank		-	-	-
Cash in Bank - Treasury Safekeeping Trust		30.00	33,438.75	33,468.75
Cash in State Treasury	566,659.00	97,887.64	690,034.07	1,354,580.71
Repurchase Agreement - Treasury Safekeeping Trust	1,280,846.27	398,409.19	2,181,155.69	3,860,211.15
Investments		-	-	-
Due From Other Funds		-	-	-
Consumable Inventories		-	74,498.49	74,498.49
Total Current Assets	1,854,355.27	496,836.83	3,019,685.00	5,370,877.10
Non-Current Assets:				
Total Noncurrent Assets				
Total Assets	\$ 1,854,355.27	\$ 496,836.83	\$ 3,019,685.00	\$ 5,370,877.10
LIABILITIES AND FUND BALANCES				
Liabilities:				
Current Liabilities:				
Payables From:				
Vouchers Payable			74,136.12	74,136.12
Accounts Payable	\$ -	\$ -	270,402.76	270,402.76
Payroll Payable			(25.00)	(25.00)
Refunds Payable			-	-
Due To Other Funds			-	-
Funds Held for Others	1,854,355.27	-	-	1,854,355.27
Total Current Liabilities	1,854,355.27	-	344,513.88	2,198,869.15
Non-Current Liabilities:				
Interfund Payables				
Total Non-Current Liabilities	-	-	-	-
Total Liabilities	1,854,355.27	-	344,513.88	2,198,869.15
FUND FINANCIAL STATEMENT-FUND BALANCES				
Fund Balances (Deficits):				
Nonspendable			74,498.49	74,498.49
Committed:				
Board Policy Reserve			2,044,009.00	2,044,009.00
Other		496,836.83	556,663.63	1,053,500.46
Total Fund Balances	-	496,836.83	2,675,171.12	3,172,007.95
Total Liabilities and Fund Balances	\$ 1,854,355.27	\$ 496,836.83	\$ 3,019,685.00	\$ 5,370,877.10

Check Figures:

Total Assets - Total Liab = Total Fund Balances	-	-	-	-
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Texas State Board of Public Accountancy
Exhibit II - Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities - Governmental Funds
For the Month Ending November 30, 2015

	General Funds (EXH A-2)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES					
Licenses, Fees & Permits					
License Fees	1,704,010.43	1,704,010.43			1,704,010.43
Exam Fees	148,870.00	148,870.00			148,870.00
Other License, Fees & Permits	527.78	527.78			527.78
Sales of Goods and Services	-	-			-
Interest and Investment Income	353.58	353.58			353.58
Other	89,394.26	89,394.26			89,394.26
Total Revenues	1,943,156.05	1,943,156.05	-	-	1,943,156.05
EXPENDITURES					
Salaries and Wages	627,912.48	627,912.48		(45,930.24)	581,982.24
Payroll Related Costs	198,698.72	198,698.72			198,698.72
Professional Fees and Services	157,313.61	157,313.61			157,313.61
Travel	15,292.30	15,292.30			15,292.30
Materials and Supplies	53,706.72	53,706.72			53,706.72
Communication and Utilities	8,099.51	8,099.51			8,099.51
Repairs and Maintenance	39,873.35	39,873.35			39,873.35
Rentals & Leases	32,017.28	32,017.28			32,017.28
Printing and Reproduction	12,670.41	12,670.41			12,670.41
Claims and Judgments	-	-			-
Other Expenditures	106,581.90	106,581.90			106,581.90
State Pass Through Expenditures	453,055.00	453,055.00			453,055.00
Intergovernmental Payments	155,848.00	155,848.00			155,848.00
Public Assistance Payments	107,500.00	107,500.00			107,500.00
Capital Outlay	10,776.50	10,776.50	(10,776.50)		-
Depreciation Expense	-	-			-
Total Expenditures/Expenses	1,979,345.78	1,979,345.78	(10,776.50)	(45,930.24)	1,822,639.04
Excess (Deficiency) of Revenues Over Expenditures	(36,189.73)	(36,189.73)	10,776.50	45,930.24	20,517.01
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	-			-
Net Change in Reserve for Inventories	11,959.78	11,959.78			11,959.78
Transfers In (Note 1.F.)	2,920,450.63	2,920,450.63			2,920,450.63
Transfers Out (Note 1.F.)	(3,096,772.13)	(3,096,772.13)			(3,096,772.13)
Gain (Loss) on Sale of Capital Assets	-	-			-
Increase/Decrease in Net Assets	-	-			-
Interagency Transfer of Capital Assets	-	-			-
Total Other Financing Sources and Uses	(164,361.72)	(164,361.72)	-	-	(164,361.72)
SPECIAL ITEMS					
EXTRAORDINARY ITEMS					
Net Change in Fund Balances/Net Assets	(200,551.45)	(200,551.45)	10,776.50	45,930.24	(143,844.71)
FUND FINANCIAL STATEMENT-FUND BALANCES					
Fund Balances--Beginning	3,372,559.40	3,372,559.40			3,372,559.40
Fund Balances, September 1, 2015, as Restated	3,372,559.40	3,372,559.40			3,372,559.40
Net Change in Consumable Inventories	-	-			-
Appropriations Lapsed	-	-			-
Fund Balances--November 30, 2015	\$ 3,172,007.95	\$ 3,172,007.95	\$ 10,776.50	\$ 45,930.24	\$ 3,228,714.69
GOVERNMENT-WIDE STATEMENT-NET ASSETS					
Change in Net Assets		3,172,007.95	10,776.50	45,930.24	3,228,714.69
Net Assets--Beginning			113,705.06	(354,262.97)	(240,557.91)
Restatements					
Net Assets, September 1, 2015, as Restated and Adjusted			113,705.06	(354,262.97)	(240,557.91)
Net Assets--November 30, 2015			\$ 124,481.56	\$ (308,332.73)	\$ 2,988,156.78

*Column totals should agree to Exhibit I column totals

Texas State Board of Public Accountancy
 Exhibit A-2 - Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances - All General and Consolidated Funds
 For the Month Ending November 30, 2015

Scholarship Fund

Operating Fund

	General Revenue			Memorandum Only			Difference
	(0858) U/F (7106, 6106)	(1009) U/F (1009, 2858)	Total (EXH II)	(0858) U/F (8106, 7106) FY 15	(1009) U/F (0858, 1009, 2858) FY 15	Total FY 15	
REVENUES							
Licenses, Fees & Permits:							
Licenses, Fees	\$ 176,431.56	\$ 1,527,578.87	\$ 1,704,010.43	\$ 174,429.15	\$ 1,267,390.29	\$ 1,441,819.44	262,190.99 A
Exam Fees	-	148,870.00	148,870.00	-	130,150.00	\$ 130,150.00	18,720.00
Other License, Fees & Permits	-	527.78	527.78	-	685.67	\$ 685.67	(157.89)
Sales of Goods and Services	-	-	-	-	-	\$ -	-
Interest and Investment Income	74.32	279.26	353.58	76.24	184.07	\$ 260.31	93.27 B
Other	-	89,394.26	89,394.26	-	12,598.40	\$ 12,598.40	76,795.86 B
Total Revenues	176,505.88	1,766,650.17	1,943,156.05	174,505.39	1,411,008.43	1,585,513.82	357,642.23
EXPENDITURES							
Salaries and Wages	-	627,912.48	627,912.48	-	613,244.59	613,244.59	14,667.89
Payroll Related Costs	-	198,698.72	198,698.72	-	179,563.88	179,563.88	19,134.84
Professional Fees and Services	-	157,313.61	157,313.61	-	160,658.47	160,658.47	(3,344.86)
Travel	-	15,292.30	15,292.30	-	24,637.10	24,637.10	(9,344.80)
Materials and Supplies	-	53,706.72	53,706.72	-	39,407.95	39,407.95	14,298.77 C
Communication and Utilities	-	8,099.51	8,099.51	-	7,309.02	7,309.02	790.49 D
Repairs and Maintenance	-	39,873.35	39,873.35	-	18,465.06	18,465.06	21,408.29 D
Rentals & Leases	-	32,017.28	32,017.28	-	28,713.33	28,713.33	3,303.95
Printing and Reproduction	-	12,670.41	12,670.41	-	18,004.68	18,004.68	(5,334.27)
Claims and Judgments	-	-	-	-	-	-	-
Other Expenditures	-	106,581.90	106,581.90	-	163,076.24	163,076.24	(56,494.34) E
State Pass Through Expenditures	453,055.00	-	453,055.00	420,666.00	-	420,666.00	32,389.00 F
Intergovernmental Payments	155,848.00	-	155,848.00	175,915.00	-	175,915.00	(20,067.00)
Public Assistance Payments	-	107,500.00	107,500.00	-	107,500.00	107,500.00	-
Capital Outlay	-	10,776.50	10,776.50	-	-	-	10,776.50 G
Depreciation Expense	-	-	-	-	-	-	-
Total Expenditures/Expenses	608,903.00	1,370,442.78	1,979,345.78	596,581.00	1,360,580.32	1,957,161.32	22,184.46
Excess (Deficiency) of Revenues Over Expenditures	(432,397.12)	396,207.39	(36,189.73)	(422,075.61)	50,428.11	(371,647.50)	335,457.77
OTHER FINANCING SOURCES (USES)							
Sale of Capital Assets	-	-	-	-	-	-	-
Change in Reserve for Inventories	-	11,959.78	11,959.78	-	(8,843.83)	(8,843.83)	20,803.61
Transfers In (Note 1.F.)	706,800.64	2,213,649.99	2,920,450.63	748,576.75	2,003,331	2,751,907.39	168,543.24
Transfers Out (Note 1.F.)	(706,810.64)	(2,389,961.49)	(3,096,772.13)	(748,696.75)	(2,185,002.14)	(2,933,698.89)	(163,073.24)
Gain (Loss) on Sale of Capital Assets	-	-	-	-	0.00	-	0.00
Total Other Financing Sources and Uses	(10.00)	(164,351.72)	(164,381.72)	(120.00)	(190,515.33)	(190,635.33)	26,273.81
SPECIAL ITEMS							
EXTRAORDINARY ITEMS							
Net Change in Fund Balances/Net Assets	(432,407.12)	231,855.67	(200,551.45)	(422,195.61)	(140,087.22)	(562,282.83)	361,731.38
FUND FINANCIAL STATEMENT-FUND BALANCES							
Fund Balances--Beginning	929,243.95	2,443,315.45	3,372,559.40	1,396,733.15	2,603,903.05	4,000,636.20	(628,076.80)
Fund Balances, September 1, 2015, as Restated	929,243.95	2,443,315.45	3,372,559.40	1,396,733.15	2,603,903.05	4,000,636.20	(628,076.80)
Appropriations Lapsed Fund Balances--November 30, 2015	\$ 496,836.83	\$ 2,675,171.12	\$ 3,172,007.95	\$ 974,537.54	\$ 2,463,815.83	\$ 3,438,353.37	\$ (266,345.42)

- A License Fee revenue higher - individual license fee increase from \$47 to \$56 effective for September licensees.
- B Other revenue higher - direct administrative cost collections increase
- C Materials and Supplies higher - meter and bulk rate postage purchase
- D Repairs and Maintenance higher - annual maintenance agreements for purchase of computer equipment/software (lower expenditures in FY 2015 due to timing)
- E Other Expenditures lower - Texas Online costs lower due to elimination of Professional Fee
- F State Pass Through Expenditures higher - based on university requests for funds
- Intergovernmental Payments lower - based on private college requests for funds
- G Capital Outlay higher - purchase of folder/insert machine

UNAUDITED

Texas State Board of Public Accountancy
Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities
Agency Funds
 November 30, 2015

	Beginning Balance September 1, 2015	Additions	Deductions	Ending Balance November 30, 2015
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (0001) U/F (0002)				
ASSETS				
Current				
Cash on Hand	\$ 4,850.00	\$ 900,783.67	\$ 898,583.67	\$ 7,050.00
Cash in Bank - Trust	3,000.00	5,050.00	8,050.00	-
Cash in State Treasury	-	567,150.00	491.00	566,659.00
Repurchase Agreement - Treasury Safekeeping Trust	521,351.60	2,829,443.34	2,070,148.67	1,280,646.27
Due From Other Funds	-	-	-	-
Total Assets	\$ 529,201.60	\$ 4,302,427.01	\$ 2,977,273.34	\$ 1,854,355.27
LIABILITIES				
Current				
Payables	\$ -	\$ -	\$ -	\$ -
Funds Held for Others	529,201.60	4,302,427.01	2,977,273.34	1,854,355.27
Total Liabilities	\$ 529,201.60	\$ 4,302,427.01	\$ 2,977,273.34	\$ 1,854,355.27
Local Jurisdictions Sales Tax (0882) U/F (0882)				
ASSETS				
Current				
Cash on Hand	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-	-	-	-
Short Term Investments	-	-	-	-
Total Assets	\$ -	\$ -	\$ -	\$ -
LIABILITIES				
Current				
Payables	\$ -	\$ -	\$ -	\$ -
Funds Held for Others	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ -
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Current				
Cash on Hand	\$ 4,850.00	\$ 900,783.67	\$ 898,583.67	\$ 7,050.00
Cash in Bank - Trust	\$ 3,000.00	\$ 5,050.00	\$ 8,050.00	\$ -
Cash in State Treasury	-	567,150.00	491.00	566,659.00
Repurchase Agreement - Treasury Safekeeping Trust	521,351.60	2,829,443.34	2,070,148.67	1,280,646.27
Due From Other Funds	-	-	-	-
Total Assets	\$ 529,201.60	\$ 4,302,427.01	\$ 2,977,273.34	\$ 1,854,355.27
LIABILITIES				
Current				
Payables	\$ -	\$ -	\$ -	\$ -
Funds Held for Others	\$ 529,201.60	\$ 4,302,427.01	\$ 2,977,273.34	\$ 1,854,355.27
Total Liabilities	\$ 529,201.60	\$ 4,302,427.01	\$ 2,977,273.34	\$ 1,854,355.27

The accompanying notes to the financial statements are an integral part of this statement.

**Texas State Board of Public Accountancy
5th Year Accounting Scholarship Payments FY 16
State Universities**

For the Month Ending November 30, 2015

	FY 2016
BEGINNING FUND BALANCE - September 1, 2015	\$ 929,243.95
Total Scholarship Fund Revenue	\$ 176,505.88
State Pass Through Expenditures (EXH A-2)	
State University Payments:	
Angelo State University	\$ 7,750.00
Prairie View A&M University	6,000.00
Sam Houston State University	11,406.00
Stephen F. Austin State University	19,554.00
Texas A&M University	70,307.00
Texas A&M International University	6,000.00
Texas A&M University - Commerce	3,000.00
Texas A&M University - San Antonio	3,000.00
Texas State University	35,384.00
Texas Tech University	36,000.00
University of Houston - Clear Lake	6,000.00
University of Houston - Downtown	63,700.00
University of Houston - Victoria	2,000.00
University of North Texas	12,000.00
University of Texas at Arlington	11,000.00
University of Texas at Austin	68,054.00
University of Texas at Dallas	51,000.00
University of Texas at El Paso	16,000.00
University of Texas at San Antonio	8,500.00
University of Texas Rio Grande Valley	11,400.00
West Texas A&M University	5,000.00
Total State University Payments	<u>453,055.00</u>
State University Refunds:	
Total State University Refunds	<u>-</u>
State Pass Through Expenditures (EXH A-2)	<u>\$ 453,055.00</u>
Intergovernmental Payments (EXH A-2)	
Junior College/ Private University Payments:	
Austin Community College	\$ 3,000.00
Baylor University	39,000.00
Dallas Baptist University	13,929.00
Houston Baptist University	6,000.00
Houston Community College System	13,950.00
Texas Christian University	37,969.00
Texas Lutheran University	21,000.00
Texas Wesleyan University	12,000.00
University of the Incarnate Word	6,000.00
University of St. Thomas	3,000.00
Total Junior College/ Private University Payments:	<u>155,848.00</u>
Junior College/ Private Univ. Refunds:	
Total Junior College/ Private University Refunds:	<u>\$ -</u>
Intergovernmental Payments (EXH. A-2)	<u>155,848.00</u>
Other Financing Sources/Uses	
Scholarship Refunds	(10.00)
Total Other Financing Sources/Uses (EXH. A-2)	<u>\$ (10.00)</u>
ENDING FUND BALANCE - November 30, 2015	<u>\$ 496,836.83</u>

UNAUDITED

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

SCHEDULE B
STATEMENT OF PENALTIES ASSESSED \ CONTRIBUTIONS
 For the Month Ending November 30, 2015

		DAC 19160	ADMIN PENALTY 37700	INTEREST/ RTN CK FEES 19920/31100	TOTAL
BEGINNING BALANCE - September 1, 2015		\$192,860.83	\$1,820,641.30	\$75.00	\$2,013,577.13
ADD: Penalties Assessed \ Contributions:					
Burris, Carl	Sept-15		3,600.00		3,600.00
Savage, Jack W.	Oct-15	1,558.31			1,558.31
Ramsay, Linda Fischer	Oct-15	211.84			211.84
Shah, Sudhir P.	Oct-15	107.20	500.00		607.20
Spinelli, Elizabeth A.	Oct-15	225.14	2,500.00		2,725.14
Towey, James J.	Oct-15	139.37	1,000.00		1,139.37
TOTAL PENALTIES ASSESSED \ CONTRIBUTIONS		2,241.86	7,600.00	0.00	9,841.86
LESS: Payments Received:					
Mock, Ronald	Sept-15		(200.00)		(200.00)
Bradley, Martin L.	Sept-15		(100.00)		(100.00)
Freeman, Ricky C.	Sept-15		(250.00)		(250.00)
Burris, Carl	Sept-15		(400.00)		(400.00)
BDO USA, LLP	Sept-15	(83,333.33)	(883,333.67)		(966,667.00)
Mock, Ronald E.	Oct-15		(200.00)		(200.00)
Bradley, Martin L.	Oct-15		(100.00)		(100.00)
Spinelli, Elizabeth A.	Oct-15	(225.14)	(2,500.00)		(2,725.14)
Burris, Carl	Oct-15		(800.00)		(800.00)
Towey, James J.	Oct-15	(139.37)	(1,000.00)		(1,139.37)
Tegbe, Anthony	Oct-15	(2,000.00)			(2,000.00)
Mock, Ronald E.	Nov-15		(200.00)		(200.00)
Bradley, Martin L.	Nov-15		(100.00)		(100.00)
Savage, Jack W.	Nov-15	(1,558.31)			(1,558.31)
Ramsay, Linda Fischer	Nov-15	(211.84)			(211.84)
Shah, Sudhir P.	Nov-15	(107.20)	(500.00)		(607.20)
Wilkins, Alison	Nov-15	(359.07)			(359.07)
TOTAL PAYMENTS RECEIVED		(87,934.26)	(889,683.67)	0.00	(977,617.93)
Adjustments:					0.00
TOTAL ADJUSTMENTS		0.00	0.00	0.00	0.00
Referred to OAG Enforcement for Collection:					0.00
TOTAL REFERRED TO ENFORCEMENT		0.00	0.00	0.00	0.00
ENDING BALANCE - November 30, 2015		\$107,168.43	\$938,557.63	\$75.00	\$1,045,801.06

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

Revenue Budget Summary

September 1, 2015 - November 30, 2015

Agency-wide Budget

Revenue	Current Period	YTD	Annual	Target = 25%	Budget
	Actual	Actual	Budget	% Budget Collected	Uncollected
CPA License	\$ 325,653	994,502	\$ 3,746,609	26.54%	\$ 2,752,107
CPE Sponsor Fee	\$ 39,900	101,950	388,709	26.23%	286,759
Firm Office License	\$ 86,648	235,404	922,388	25.52%	686,984
Penalties - Late Payment	\$ 63,748	151,772	241,897	62.74%	90,126
Exam Fees - CBT	\$ 40,230	145,070	575,980	25.19%	430,910
Other Collections	\$ 18,754	137,952	348,702	39.56%	210,750
Total Revenue	\$ 574,932	1,766,650	\$6,224,285	28.38%	\$ 4,457,635

Expenses	Current Period	YTD	Annual	Target = 75%	Variance
	Actual	Actual	Budget	% Budget Remaining	
Total Expenses	\$ 387,667	\$ 1,377,202	\$ 5,472,691	74.84%	\$ 4,095,489

Excess/Deficiency of Revenue over Expenses	\$ 187,265	\$ 389,448	\$ 751,594		
Transfers Out:					
Texas Govt Code, Chap 472	\$ (58,612)	\$ (175,836)	\$ (703,344)		
Board Rule 519.8	\$ -	\$ -	\$ -		
Total Transfers Out	(58,612)	(175,836)	(703,344)		
Balance Contingency - YTD	\$ 128,653	\$ 213,612	\$ 48,250		

Texas State Board of Public Accountancy

Encumbrance Budget Report
From 11/1/2015 Through 11/30/2015

Account Code	Account Title	Current Period Revenue	YTD Revenue	Total Budget	Variance	% Budget Remaining
01LIC	CPA License					
11000	3175 - CPA License	9,752.50	25,643.92	0.00	25,643.92	(100.00)%
11300	3175 OL-CPA License	315,900.33	968,858.29	3,746,609.00	(2,777,750.71)	74.14%
Total 01LIC	CPA License	325,652.83	994,502.21	3,746,609.00	(2,752,106.79)	73.46%
02SRP	CPE Sponsor Review					
17100	3175 - CPE Sponsor Fee	39,650.00	101,700.00	388,709.00	(287,009.00)	73.83%
17110	3175 - CPE Ethics Instructor Fee	250.00	250.00	0.00	250.00	(100.00)%
Total 02SRP	CPE Sponsor Review	39,900.00	101,950.00	388,709.00	(286,759.00)	73.77%
03FOL	Firm Office License					
11100	3175 - Practice Units (Office Fee)	15,061.20	50,205.20	255,591.20	(205,386.00)	80.35%
11101	3175 - Practice Units (Off. Fee) Refund	0.00	0.00	(53.00)	53.00	100.00%
11102	3175 - Practice Units - Online	34,035.00	96,905.01	383,386.80	(286,481.79)	74.72%
11200	3175 - Firm Organization Fees	5,276.75	32,163.95	149,871.20	(117,707.25)	78.53%
11202	3175 - Firm Organization Fee - Online	32,275.00	56,130.00	133,591.80	(77,461.80)	57.98%
Total 03FOL	Firm Office License	86,647.95	235,404.16	922,388.00	(686,983.84)	74.48%
04LPF	Late Payment Fees					
11050	3175 - CPA Penalty	49,289.00	101,166.50	132,985.00	(31,818.50)	23.92%
11150	3175 - Practice Unit (Off. Fee) Penalty	1,350.00	5,450.00	109,070.00	(103,620.00)	95.00%
11151	3175 - Practice Unit Pen. Ref	0.00	0.00	(158.00)	158.00	100.00%
11152	3175 - Practice Unit Pen - Online	2,050.00	7,400.00	0.00	7,400.00	(100.00)%
11400	3175 OL- CPA Penalty	11,059.00	37,755.00	0.00	37,755.00	(100.00)%
Total 04LPF	Late Payment Fees	63,748.00	151,771.50	241,897.00	(90,125.50)	37.26%
05CBT	Exam Fees - CBT					
24100	3175 - Evaluation Fee (AOI)	19,670.00	53,470.00	226,320.00	(172,850.00)	76.37%
24200	3175 - Transfer Fee - Some Sections	0.00	0.00	0.00	0.00	0.00%
24300	3175 - Transfer Fee - All Sections	700.00	1,900.00	0.00	1,900.00	(100.00)%
24400	3175 - Exam Eligibility Fee - AUD	0.00	0.00	0.00	0.00	0.00%
24402	3175 - OL Exam Eligibility Fee - AUD	5,280.00	23,340.00	88,091.00	(64,751.00)	73.50%
24502	3175 - OL Exam Eligibility Fee - BEC	4,960.00	21,520.00	96,831.00	(75,311.00)	77.77%
24600	3175 - Exam Eligibility Fee - FAR	0.00	0.00	0.00	0.00	0.00%
24602	3175 - OL Exam Eligibility Fee - FAR	5,080.00	22,120.00	79,353.00	(57,233.00)	72.12%
24700	3175 - Exam Eligibility Fee - REG	0.00	0.00	0.00	0.00	0.00%

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Texas State Board of Public Accountancy

Encumbrance Budget Report

From 11/1/2015 Through 11/30/2015

Account Code	Account Title	Current Period Revenue	YTD Revenue	Total Budget	Variance	% Budget Remaining
24702	3175 - OL Exam Eligibility Fee - REG	4,540.00	22,720.00	85,385.00	(62,665.00)	73.39%
Total 05CBT	Exam Fees - CBT	40,230.00	145,070.00	575,980.00	(430,910.00)	74.81%
06OTH	Other Collections					
12000	3175 - Public Accountant Lic.	0.00	0.00	53.00	(53.00)	100.00%
12010	3175 - Certificate Fee	7,450.00	26,250.00	92,487.00	(66,237.00)	71.61%
12011	3175 - Certificate Fee Refund	0.00	0.00	(53.00)	53.00	100.00%
15000	3175 - Section 14 License	0.00	56.00	295.00	(239.00)	81.01%
16000	3175 - Reciprocal Registration	6,900.00	17,600.00	30,504.00	(12,904.00)	42.30%
17000	3175 - Temporary Practice	0.00	0.00	0.00	0.00	0.00%
19130	3770 - CPE Admin. Penalty	0.00	0.00	0.00	0.00	0.00%
19140	3770 - Admin. Pen. - Other Cases	0.00	0.00	0.00	0.00	0.00%
19160	3802-DAC - Other Cases	2,236.42	87,934.26	203,748.00	(115,813.74)	56.84%
19920	3802-Other Miscellaneous Revenue	0.00	0.00	0.00	0.00	0.00%
19930	3777-Voided Warrants-SOL	610.00	610.00	0.00	610.00	(100.00)%
23000	3175 - Transfer of Credit In	0.00	0.00	6,615.00	(6,615.00)	100.00%
23050	3175 - Transfer of Credit Out	1,000.00	3,800.00	8,352.00	(4,552.00)	54.50%
25000	3852 - Interest Income	81.21	279.26	1,000.00	(720.74)	72.07%
31020	3719 - Sales of Lists	156.00	467.78	2,000.00	(1,532.22)	76.61%
31040	3719 - Miscellaneous Copies	20.00	60.00	500.00	(440.00)	88.00%
31100	3775 - Returned Check Fees	0.00	45.00	253.00	(208.00)	82.21%
32100	3802 - Lettering Of CPA Cert.	150.00	700.00	3,000.00	(2,300.00)	76.66%
32111	3802 - Lettering of CPA Cert. Refid	0.00	0.00	(52.00)	52.00	100.00%
34100	3802 - AICPA Regrades	150.00	150.00	0.00	150.00	(100.00)%
Total 06OTH	Other Collections	18,753.63	137,952.30	348,702.00	(210,749.70)	60.44%
Report Total		574,932.41	1,766,650.17	6,224,285.00	(4,457,634.83)	71.62%

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AGENCY-WIDE

Texas State Board of Public Accountancy

Encumbrance Budget Report
From 11/1/2015 Through 11/30/2015

TARGET = 75%

Account Code	Account Title	Current Period Expenditures	YTD Expenditures	YTD Encumbrances	Total Budget	Variance	% Budget Remaining
L1001	Sal & Wages - Comp. Per Diem	1,140.00	1,290.00	0.00	5,987.00	4,697.00	78.45% ✓
L1002	Sal & Wages - Employees	213,844.99	626,134.63	0.00	2,629,108.00	2,002,973.37	76.18% ✓
L1003	Sal & Wages - Ben Replace Pay	422.33	1,267.85	0.00	10,083.77	8,815.92	87.42% ✓
M9000	Payroll Related Costs (IC)	66,276.03	198,698.72	0.00	845,170.00	646,471.28	76.49% ✓
N2005	Prof Fees-Legal Services-Major	1,036.43	3,109.29	0.00	37,500.00	34,390.71	91.70% ✓
N2007	Prof Fees - Fin/Acctg. Svcs.	0.00	0.00	0.00	27,823.00	27,823.00	100.00% ✓
N2008	Prof Fees - Expert Witnesses	6,271.70	16,221.10	0.00	255,000.00	238,778.90	93.63% ✓
N2009	Prof Fees - PROB	4,115.00	14,845.00	0.00	57,368.91	42,523.91	74.12% ✓
N2010	Prof Fees - SOAH	0.00	25,742.00	0.00	25,000.00	(742.00)	(2.96)% OK-lump sur.
N2011	Prof Fees - Computer	3,736.50	34,084.50	0.00	72,828.97	38,744.47	53.19% (A)
N2019	Prof Fees - Other	(4,316.23)	41,421.33	0.00	76,500.00	35,078.67	45.85% (B)
N2020	Prof Fees - SAO Audit (IC)	0.00	0.00	0.00	27,500.00	27,500.00	100.00% ✓
N2022	PF - SRP - Review	3,187.50	19,561.35	0.00	113,034.00	93,472.65	82.69% ✓
P2001	Travel-In State-Board Mbrs.	5,805.23	12,683.31	0.00	41,487.04	28,803.73	69.42%
P2002	Travel-In State-Employees	2.00	243.79	0.00	6,969.36	6,725.57	96.50%
P2003	Travel-In State-Adv Comm Mbrs	0.00	557.71	0.00	5,531.54	4,973.83	89.91%
P2021	Travel-Out-of-State-Bd. Mbrs.	0.00	1,281.43	0.00	11,075.02	9,793.59	88.42%
P2022	Travel-Out-of-State-Employees	711.20	4,603.71	0.00	10,000.56	5,396.85	53.96%
Q2001	Material & Supplies	5,392.16	13,956.25	0.00	81,435.70	67,479.45	82.86% ✓
Q2005	Mats/Supp - Office Meter Post	11,583.49	34,750.47	0.00	139,001.82	104,251.35	74.99% ✓
Q2006	Mats/Supp - Bulk Rate Postage	5,000.00	5,000.00	0.00	31,836.24	26,836.24	84.29% ✓
Q2009	Mats/Suppl - Other Postage	0.00	0.00	0.00	184.02	184.02	100.00% ✓
R2001	Communication & Utilities	2,702.21	8,099.51	0.00	37,699.76	29,600.25	78.51% ✓
S2001	Repairs & Maint-Annual Conts.	0.00	37,894.05	2,076.47	45,000.00	5,029.48	11.17% (C)
S2005	Repairs & Maintenance - Other	106.32	907.30	0.00	7,970.07	7,062.77	88.61% ✓
T2001	Rentals & Leases-Furn/Eqpt	1,633.90	4,901.70	0.00	20,686.62	15,784.92	76.30% ✓
T2004	Rentals & Leases-Furn/Eqpt SIC	0.00	0.00	835.00	5,207.12	4,372.12	83.96% ✓
T2013	Rental & Leases-Other Space	689.86	2,528.08	0.00	9,728.16	7,200.08	74.01% ✓
T2015	Rental & Leases - SIC	0.00	0.00	0.00	7,191.00	7,191.00	100.00% ✓
T2018	Rental & Leases-Ofc Bldg (IC)	8,195.83	24,587.50	0.00	97,271.00	72,683.50	74.72% ✓
U2001	Printing & Reproduction	1,834.16	2,859.10	2,523.19	45,900.00	40,517.71	88.27% ✓
U2002	Printing of Board Report	9,811.31	9,811.31	0.00	47,753.94	37,942.63	79.45% ✓
W2001	OOE - Membership Fees	75.00	6,200.00	0.00	8,603.02	2,403.02	27.93% (D)
W2003	OOE - Registration Fees	150.50	2,569.50	0.00	13,062.00	10,492.50	80.32% ✓
W2005	OOE - Temporary Support Serv.	3,650.25	3,650.25	0.00	0.00	(3,650.25)	(100.00)% (E)
W2007	OOE - Freight/Delivery Svc.	155.03	733.77	0.00	6,000.00	5,266.23	87.77% ✓
W2009	OOE - Convention Center Labor	0.00	0.00	806.25	2,318.07	1,511.82	65.21% ✓
W2011	OOE - Monitoring Alarm System	0.00	0.00	0.00	3,250.00	3,250.00	100.00% ✓

11-1-15

19,269.26

75,063.52

55,693.57

74.22

Texas State Board of Public Accountancy

Encumbrance Budget Report

From 11/1/2015 Through 11/30/2015

Account Code	Account Title	Current Period Expenditures	YTD Expenditures	YTD Encumbrances	Total Budget	Variance	% Budget Remaining
W2013	OOE - Employee Awards	0.00	237.50	0.00	1,000.00	762.50	76.25% ✓
W2020	OOE - Other Fees & Charges	298.25	18,426.19	0.00	29,999.98	11,573.79	38.57% (F)
W2021	OE - TX Online Processing Fees	12,809.94	39,780.87	0.00	153,176.00	113,395.13	74.02% ✓
W2026	OOE - Court Reporters	0.00	0.00	0.00	1,000.00	1,000.00	100.00% ✓
W2027	OOE-Statewide Cost Alloc. (IC)	10,569.75	31,709.25	0.00	128,896.00	97,186.75	75.39% ✓
W2028	OOE-SORM Assessments	0.00	2,336.30	0.00	7,232.00	4,895.70	67.69% OK
W2029	PUB - Public Assistance Pymts	0.00	107,500.00	0.00	109,650.00	2,150.00	1.96% OK - lump sum
X5001	Capital Outlay-Furn/Eqpt	10,776.50	10,776.50	0.00	142,500.00	131,723.50	92.43% ✓
X5005	Capital Outlay-Computer	0.00	0.00	0.00	31,171.00	31,171.00	100.00% ✓
Report Total		387,667.14	1,370,961.12	6,240.91	5,472,690.69	4,095,488.66	74.84%

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TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

Budget Variance Explanations

For the Three Months Ending November 30, 2015

Ref.	Budget Item	Budget	Actual	Difference	Explanation
	Operating Budget	\$ 3,556,836	\$ 996,296.00	\$ 2,560,540.00	71.99% budget remaining versus 75% target level
A	Prof Fees - Computer	\$ 72,829	\$ 34,084.50	\$ 38,744.47	53.20% budget remaining: assistance with Rules of Professional Conduct online exam implementation
B	Prof Fees - Other	\$ 76,500	\$ 41,421.33	\$ 35,078.67	45.85% budget remaining: increase in cases referred to litigator for prosecution
C	Repairs & Maintenance - Annual Contracts	\$ 45,000	\$ 39,970.52	\$ 5,029.48	11.18% budget remaining: lump sum payments for annual contracts
D	OOE - Membership Fees	\$ 8,603	\$ 6,200.00	\$ 2,403.02	27.93% budget remaining: NASBA annual fees
E	OOE - Temporary Support Services	\$ -	\$ 3,650.25	\$ (3,650.25)	-100.00% budget remaining: covered by salary expense surplus for vacant positions
F	OOE - Other Fees & Charges	\$ 30,000	\$ 18,426.19	\$ 11,573.79	38.58% budget remaining: lump sum payment for D&O insurance

Note A:

	Budget	Actual (Est.)	
Rentals and Leases - Ofc Bldg.	\$ 97,271	\$ 192,098	per rent contract due to TBPC
		\$ (93,746)	rent portion in SWCAP paid to Comptroller
subtotal		\$ 98,350	net rent due to TBPC
OOE - Statewide Cost Allocation (SWCAP)	\$ 128,896	\$ 126,837	per actual SWCAP due to Comptroller
Total	\$ 226,167	\$ 225,187	\$ 980

* *DPS Background Checks are for initial exam candidates and registration of new CPAs (all Qualifications)
FBI Background Investigations are for reciprocal applications (Licensing) and transfer of credit and certificate (Qualifications)*

Agenda Item III

Report of the Executive Committee

January 13, 2016

B. Internal Audit report

1. Audit follow-up: Internal Audit of the Information Systems – Logical and Physical Security (FY 2015)
2. Fiscal Year 2015 Internal Audit Annual Report
3. Internal Audit Plan for FY 2016

DISCUSSION: The presiding officer will present the Board's Internal Audit report

RECOMMENDATION: None by staff

SUGGESTED MOTION: None by staff

Alan L. Hermanson

From: Alan L. Hermanson
S Wednesday, November 25, 2015 10:18 AM
To: Coalter Baker (coalter@coalterbakercpa.com); Rocky L. Duckworth (rlduckworth@att.net); CPA Donna Hugly (donna.hugly@claconnect.com); William Lawrence (billaw1@verizon.net); Robert McAdams (robnca@prodigy.net); Steve D. Peña (spena@mlrpc.com)
Cc: William Treacy
Subject: January 2016 Executive/Audit Committee Agenda Item - Internal Audit
Attachments: TSBPA FY 2015 IA Report Part 2 - Follow-up - Information Systems Logical and Physical Security.pdf; TSBPA FY 2015 Annual Internal Audit Report.pdf; Proposed Internal Audit Plan - FY 2016 TSBPA.pdf; Risk Assessment Past Audits as of September 2015.xlsx

Executive/Audit Committee Members:

As we discussed at the November Board meeting, there will be three internal audit items (attached) for discussion and action on the Executive/Audit Committee agenda:

1. Audit Follow-up: Internal Audit of the Information Systems - Logical and Physical Security (FY 2015)
2. Fiscal Year 2015 Internal Audit Annual Report
3. Internal Audit Plan for FY 2016. Also attached is the audit area history document prepared by TSBPA for your information (*Risk Assessment Past Audits as of September 2015.xlsx*).

Please let me know if you have any questions.

Alan L. Hermanson, CPA
Director of Administrative Services/CFO
Texas State Board of Public Accountancy
accounting@tsbpa.state.tx.us



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Alan L. Hermanson

From: Monday Rufus <monday@mondayrufus.com>
Sent: Saturday, August 29, 2015 4:45 PM
To: William Treacy
Cc: Alan L. Hermanson; Karen E. Davis
Subject: Internal Audit Report - Follow up - Prior Internal Audit Recommendations - Information Systems - Logical and Physical Security
Information System Security - TSBPA
Attachments: Internal Audit Report - Follow-up - Information Security2.pdf

Dear Mr. Treacy:

Please find attached our internal audit report arising from the follow-up on prior internal audit recommendations related to Information Systems - Logical and Physical Security at the Texas State Board of Public Accountancy (TSBPA). The report is scheduled to be released (electronically) to the TSBPA Executive Committee on September 7, 2015, and to the SAO, LBB, Sunset, & Governor's Office on September 14, 2015. As you know, this report will ultimately be published on the TSBPA's website and possibly other users like the SAO, LBB, Sunset, & Governor's Office. I would recommend that the TSBPA General Counsel review the Texas Administrative Code, Chapter 552 or any other laws, to determine if this report falls under one of the exceptions listed, prior to its public release. Please let me know if there are any questions.

Sincerely,



Monday N. Rufus, MBA, CITP, CISA, CPA
Managing Shareholder
Monday N. Rufus, P.C.

AUDIT FOLLOW-UP: INTERNAL AUDIT OF THE

INFORMATION SYSTEMS
- LOGICAL AND PHYSICAL SECURITY

AS OF AUGUST 21, 2015

AT THE

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

MONDAY N. RUFUS, P.C.
Certified Public Accountants & Consultants

Member: American Institute of Certified Public Accountants

Executive Committee
Texas State Board of Public Accountancy
Austin, Texas

We have reviewed the status of our internal audit recommendations related to the finding and recommendation included in the Information Systems – Logical and Physical Security (*Original Report Date: May 6, 2013*) as of August 21, 2015:

The accompanying schedules summarize our original finding and recommendation, current status, and remarks.

We appreciate the courtesy and cooperation shown by the management of the Agency during the course of the engagement.

Monday N. Rufus, P.C.

August 21, 2015
Austin, Texas

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2. Objective and Scope.....	9
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Executive Summary

The TSBPA operates under the authority of the *Public Accountancy Act, Chapter 901 of the Occupations Code (West 2011) effective September 1, 2011*. The TSBPA has the responsibility and authority to regulate the practice of public accountancy in Texas through examination, certification, registration, licensure, continuing professional education, peer review, enforcement, and public education.

The TSBPA became a self-directed semi-independent project agency under Senate Bill 1438 which was passed and signed into law in 1999, and codified as Article 8930 Sec. 4(c) (West Supp., 2012), the Self-Directed Semi-Independent Agency Project Act (Act). Senate Bill 736, 77th Legislature, Regular Session (2001), resolved conflicts with other laws and the agency became a self-directed, semi-independent agency effective September 1, 2001. HB 1685 83rd Legislature, Regular Session, transferred the Self-Directed Semi-Independent Agency Project Act (Article 8930, Revised Statutes) to Subtitle E, Title 4, Government Code, Chapter 472, Government Code, Self-Directed Semi-Independent Agencies, effective September 1, 2013.

House Bill 1685 authorizes the TSBPA's continuance as a self-directed and semi-independent agency and removed the Act's project status and separate Sunset date.

Internal Audit Results

The scope of this internal audit follow-up was limited to following up on the finding and recommendation included in the Information Systems – Logical and Physical Security (*Original Report Date: May 6, 2013*).

Appendix 1 summarizes and provides the status and steps taken by the management of the Board to the recommendation made in the report.

Appendix I:

AGENCY: Texas State Board of Public Accountancy

PROJECT: Follow-up on prior Internal Audit Recommendations – Information Systems- Logical and Physical Security (Original Report Date: May 6, 2013)

FISCAL YEAR: 2015

PRIOR FINDINGS/RECOMMENDATIONS (issued by the Internal Auditor)	CURRENT STATUS	AUDITORS REMARKS
<p><u>Finding 1: Enhance the Use of Passwords and Keypad Codes to Limit Access to the Computer System</u></p> <p>Passwords are generated by the user, and are discreetly displayed using asterisks during the logon process. However, there is no consistency on the length of characters used in the password formation. Some users maintain 6 characters and others maintain eleven characters. Based on the interviews and corroborative observations with TSBPA users and IR Manager, we noted that some users are also sharing User ID and passwords to access computer resources and some others are sharing keypad codes to gain access into the server room. If passwords and keypad codes are shared, it is difficult to trace an unauthorized activity to a particular individual. Information Resource management has indicated that the TSBPA is moving toward standardizing passwords with a minimum required length and complexity.</p> <p>Recommendation The Information Security Officer (ISO) should continue to work toward standardizing password length. The ISO should ensure that each user has a unique User ID and password to gain access to the agency computer resources. To gain access to the computer room, each user should also have a unique keypad code assigned to him or her.</p> <p>Management's response:</p> <p><i>The Information Resources Division is continuing to work toward more standardized passwords, which will include a requirement for a minimum length of eight alphanumeric characters. We will review the applications where User IDs are shared to ensure all computer systems are as secure</i></p>	<p>P</p>	<p>Based on the information obtained from the Board's IR Manager, there is now a standardized password length for all users. We selected a sample of employees and inquired of their knowledge of the new password policy. Tested the controls and noted no exceptions.</p> <p>Regarding access to the computer room, we noted no changes have occurred. There are two levels of access for entrance into the computer room which includes the office security access system and the computer room door access system. All authorized users of the computer room still share a computer room door access code. Based on information provided to the Board by the office security access system vendor, the current security access system cannot be modified to include an additional key pad for computer room access. The Board however believes that there is adequate security on entrance into the computer room due to the following:</p> <ul style="list-style-type: none"> • Anyone entering the computer room must first enter through the outside office doors which require a unique code for the office security access system. Anyone entering the office in off hours must first enter this unique code. • Only Information Resources staff are issued the computer room door access code. • During office hours the

as possible.

We will review the advantages and costs related to replacing the current keypad lock for the computer room with a lock that will accept individual codes for entry.

Finding 2: Strengthen The Process of Removing Terminated Employees From the Computer System

The TSBPA should strengthen its process of removing or deleting terminated employees from the system. Timely removal of terminated employees from the system will give management the assurance that only authorized personnel have access to the system. Information Resource management maintains record of terminated employees but does not maintain the record of when such employees' access were deleted from the system. Additionally, there is no documented procedure on how and when to delete terminated employees' access. Although the agency is small and management knows when terminated employees leave the agency, however, steps should be taken to ensure adequate protection of information assets at all times.

Recommendation

We recommend that TSBPA strengthen its process of deleting terminated employees from the system.

computer room is monitored by the staff in the Information Resources Division. This staff has offices lining the wall opposite the computer room door. The current computer room door access mechanism produces an audible sound which can be heard from any office, when a code is entered.

The internal auditors still believe that the practice of sharing a computer room door access code makes it difficult to trace an unauthorized activity to a particular individual. However, since the Board believes compensating controls exist with the system in place and is willing to accept the risk of any misuse, which they believe is very remote or non-existent, no further audit work is deemed necessary in this area at this time.

I

The internal auditor determined that the Board has established a process for timely removal of terminated employees from its system. We selected a sample of terminated employees and determined that the process was consistently followed.

No further audit work is deemed necessary in this area at this time.

Terminated employees should be deleted from the system in a timely manner to ensure that only authorized personnel should have access to the system. The process of deleting terminated employees' account should be documented in the agency's information security manual.

Management's response:

Terminated employees are currently deleted from the computer system in a timely manner. We will develop a process to document when employee access is deleted from the computer system. It should be noted that current policy and procedures include the deactivation of facility access by terminating employees on the last day of employment and the documentation of this action.

Finding 3: Enhance Protection of Assets in the Server Room

The TSBPA should adequately protect the assets in the Server room. The computer room contains critical hardware and software of the agency. Computer resources in the room are properly arranged and labeled to make it easy to access the critical systems. However, we noted that there are sprinkler heads in the ceiling of the computer room. In the event of fire, these sprinkler heads could release water and damage the computer hardware and systems software programs, including the backup tapes waiting to be picked up by the offsite contractor.

Recommendation

We recommend that the TSBPA institute measure to ensure adequate protection of information assets in the computer room.

Management's response:

The agency has developed a business continuity plan that is based on the restoration of computer systems at an off-site data center within 48 hours if the Board's computer room is made inoperable for any reason. The Board has installed hardware and software at the contracted off-site data center that can be activated as the primary data center. Full

N

Based on the discussion with the IR Manager, the Board conducted an analysis and concluded that the current backup procedures are adequate to protect information assets in the computer room. The internal auditors still believe measures should be instituted to ensure protection of information assets in the computer room as stated in our prior report. However, since the Board has reviewed the backup procedures in place and is willing to accept the risk of loss which they believe is to be very remote or non-existent, no further audit work is deemed necessary in this area at this time.

<p><i>system backups are currently sent through a dedicated and protected line each business day. The costs and environmental hazards related to remodeling, sealing, and monitoring another type of system do not seem feasible or safe.</i></p> <p><i>We will research replacing the safe that stores tapes waiting for off-site storage from a fire proof safe to a water proof and fire proof safe. It should be noted that the Board's data center is located on the ninth floor of the office tower, and would not be vulnerable to most types of flooding.</i></p> <p><i>On December 12, 2012 staff met with the State Office of Risk Management (SORM) to review the TSBPA Business Continuity Plan, and received approval of the plan.</i></p>		
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I = Implemented

P = Partially Implemented

N = Not Implemented

Objective and Scope

Objective

The objective of this internal audit follow-up was limited to following up on the finding and recommendation included in the audit of Information Systems – Logical and Physical Security (*Original Report Date: May 6, 2013*).

Our audit work was focused on controls over the use of passwords and keypad codes, the removal of terminated employees from the computer system, and protection of assets in the server room.

Scope

Our procedures included reviewing the previous audit report, inquiring about the status of the report's recommendation, meeting with Board management, obtaining supporting documentation, and verifying the information.

Methodology

The Texas State Board of Public Accountancy management from the respective audit follow-up area completed the *Prior Internal Audit Recommendation Schedule* to determine the current status of the prior audit finding, recommendation, and corrective action(s) taken by management for the Information Systems – Logical and Physical Security (*Original Report Date: May 6, 2013*).

Information collected and reviewed included the following:

- Original Audit Reports for:
Internal Audit of Information Systems – Logical and Physical Security (*Original Report Date: May 6, 2013*).
- Inquiries, observations, and review of supporting documentation

Procedures and tests conducted included the following:

- Met with Board management to discuss the current status of the prior audit report's recommendations and corrective actions.
- Obtained and reviewed the Password Guidelines, and Employee Workstation Requests
- Obtained reviewed a letter from a third party related the Computer Room Keypad codes
- Interviews with staff and observation of staff entry of passwords

Criteria Used included the following:

Information Systems – Logical and Physical Security:

- Agency's policies and procedures.
- Good business practices.

Other Information

Our internal audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our internal audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our internal audit objectives. Our internal audit also conforms with the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing*.

Background Information

The Texas State Board of Public Accountancy operates under the authority of the *Public Accountancy Act, Chapter 901 of the Occupations Code (West 2011)* effective September 1, 2011. The TSBPA has the responsibility and authority to regulate the practice of public accountancy in Texas through examination, certification, registration, licensure, continuing professional education, peer review, enforcement, and public education.

The Texas State Board of Public Accountancy agency (TSBPA) became a self-directed semi-independent project agency under Senate Bill 1438 which was passed and signed into law in 1999, and codified as Article 8930 Sec. 4(c) (West Supp., 2012), the Self-Directed Semi-Independent Agency Project Act (Act). Senate Bill 736, 77th Legislature, Regular Session (2001), resolved conflicts with other laws and the agency became a self-directed, semi-independent agency effective September 1, 2001. HB 1685 83rd Legislature, Regular Session, transferred the Self-Directed Semi-Independent Agency Project Act (Article 8930, Revised Statutes) to Subtitle E, Title 4, Government Code, Chapter 472, Government Code, Self-Directed Semi-Independent Agencies, effective September 1, 2013.

House Bill 1685 authorizes the TSBPA's continuance as a self-directed and semi-independent agency and removed the Act's project status and separate Sunset date.

The Act requires the TSBPA to annually remit \$703,344 to the general revenue fund. The TSBPA is required to remit all administrative penalties collected by the agency to the comptroller for deposit in the general revenue fund.

The statute provides for fifteen TSBPA members appointed by the Governor, with the advice and consent of the Senate, for six-year staggered terms. The TSBPA is comprised of 10 CPAs with five of the 15 members designated as public members who are not licensed by the agency and who do not have financial affiliations with any organizations that are regulated by the TSBPA. The Governor designates the Presiding Officer. The TSBPA Board members appoint an Executive Director. The executive director reports directly to the TSBPA Board and is responsible for overseeing all of the TSBPA's operations. The TSBPA's operating budget is prepared and approved by the TSBPA Board on an annual basis.

The TSBPA is divided into seven divisions. They are the Licensing, Continuing Professional Education, Sponsor Review Program and Peer Review Division; Qualifications Division; Enforcement Division; Public Information Division; Executive Division; Accounting and Administrative Services Division; and Information Resources Division, all of which report directly to the Executive Director. The Executive Division is headed by the Executive Director.

Appendix 4

Report Distribution

As required by Govt't Code Section 2102.0091 copies of this report should be filed with the following:

Governor's Office of Budget and Planning

Attn: Kate McGrath
Phone: (512) 463-1778
internalaudits@governor.state.tx.us

Legislative Budget Board

Attn: Ed Osner
Phone: (512) 463-1200
Ed. Osner@lbb.state.tx.us

State Auditor's Office

Attn: Internal Audit Coordinator
Phone: (512) 936-9500
iacoordinator@sao.state.tx.us

Sunset Advisory Commission

Attn: Ken Levine
Phone: (512) 463-1300
sunset@sunset.state.tx.us

Texas State Board of Public Accountancy

Thomas G. Prothro, CPA, Presiding Officer
J. Coalter Baker, CPA, Assistant Presiding Officer
Maribess L. Miller, CPA, Secretary
Everett R. Ferguson, CPA, Treasurer
Rocky L. Duckworth, CPA, Executive Member-at-Large
Jon R. Keeney, Executive Member-at-Large
John R. Broaddus, CPA
Jonathan B. Cluck, Esq.
James C. Flagg, Ph.D., CPA
Susan Fletcher
Donna G. Hugly, CPA
William "Bill" Lawrence
Robert M. "Bob" McAdams, CPA
Steve D. Pena, CPA
Phillip W. Worley

Texas State Board of Public Accountancy Management

William Treacy, Executive Director

Alan L. Hermanson

From: Monday Rufus <monday@mondayrufus.com>
S Monday, November 02, 2015 4:39 PM
T 'IA Coordinator'; sunset@sunset.state.tx.us; budgetandpolicyreports@gov.texas.gov; 'Ed Osner'
Cc: Alan L. Hermanson
Subject: FY 2015 Internal Audit Annual Report - TX State Board of Public Accountancy
Attachments: Fiscal Year 2015 Annual Internal Audit Report - TSBPA.pdf

Monday N. Rufus, P.C., CPAs served as the internal auditor for the Texas State Board of Public Accountancy in Fiscal Year 2015. As required by Government Code, Section 2102, please find attached the Fiscal Year 2015 Internal Audit Annual Report for the Texas State Board of Public Accountancy. The annual report emailed to you on October 30, 2015 had a DRAFT watermark. Please discard that copy.

Should you have any questions, you can reach Monday Rufus at (512) 380-0799 or email at monday@mondayrufus.com.

Respectfully Submitted,



Monday Rufus, MBA, CISA, CPA
Shareholder
Monday N. Rufus, P.C., CPAs
600 Morrow Street, Suite 101
Austin, Texas 78752
Ph: (512) 380-0799 Fax: (512) 380-0797
website: mondayrufus.com
email: monday@mondayrufus.com

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

FISCAL YEAR 2015 INTERNAL AUDIT ANNUAL REPORT

Monday N. Rufus, P.C.

Certified Public Accountants & Consultants
608 Morrow St., Suite 101, Austin, Texas 78752

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Texas State Board of Public Accountancy
Austin, Texas
Internal Audit Annual Report
Fiscal Year 2015

I. Compliance with Texas Government Code, Section 212.105: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site.

Within 30 days of approval, the Texas State Board of Public Accountancy will post the following information on its Internet Web site:

- An approved fiscal year 2016 audit plan, as provided by Texas Government Code, Section 2102.008.
- Individual audits (including follow-up internal audits) showing findings and recommendation made by the internal auditor, and management's responses and/or action plans or updates, unless they are excepted from disclosure under Chapter 552 of the Texas Government Code.
- A fiscal year 2015 internal audit annual report, as required by Texas Government Code, Section 2102.009.

II. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institution

This requirement does not apply to Texas State Board of Public Accountancy as it is not a Higher Education Institution.

III. Internal Audit Plan for Fiscal Year 2015

The Board approved the following audits for fiscal year 2015:

- Qualifications – Policies and Procedures (**Report #2015-001: Report Date: November 21, 2014**)
- Audit Follow-Up: Information Systems - Logical and Physical Security (*Original Report Date: May 6, 2013*) (**Report #2015-002: Report Date: August 21, 2015**).

IV. Consulting Services and Non-audit Services Completed

The Internal Auditor did not perform any services which would be considered consulting engagements, as defined in the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*, and no non-audit services, as defined in *Government Auditing Standards, 2011 Revision*, Sections 3.33 – 3.58, were completed during fiscal year 2015.

V. **External Quality Assurance Review (Peer Review)**

A copy of the most recent External Quality Assurance Review Report is included on the following pages:

**REPORT ON THE
EXTERNAL QUALITY ASSURANCE REVIEW
OF THE
Texas State Board of Public Accountancy
INTERNAL AUDIT FUNCTION
Year ended August 31, 2015**

Report Date: October 23, 2015

Performed By

Samson Afolabi, CPA, CGMA
EXTERNAL QUALITY ASSURANCE REVIEWER
SAMSON T.A. AND ASSOCIATES, PLLC
125 L Street, S.E. Suite 202
Washington, DC 20003
Tel: (202) 595-9369, (240) 603-1434
Fax: (202) 554-9370

Member

American Institute of CPAs
Greater Washington Society of CPAs *** *Maryland Association of CPAs*

FISCAL YEAR 2015 INTERNAL AUDIT ANNUAL REPORT

4

Samson T.A. and Associates, LLC

*Certified Public Accountants
& Management Consultants*

GSA Federal Supply Schedule, SBA 8(a) & SDB, DBE and MBE
DC Supply Schedule, DC LSDBE, and DC DOT DBE

125 L Street, S.E., Suite 202, Washington, DC 20003
Tel: (202) 595-9369, (240) 603-1434
Fax: (202) 554-937

*Email: sufolabi@samsonacpa.com
Website: samsonacpa.com*

External Quality Assurance Review Report

Overall Conclusion

Based on the information received and evaluated during this external quality assurance review, we conclude that the Texas State Board of Public Accountancy's Internal Audit function "complies" with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing Standards*, the Code of Ethics contained in the Professional Practices Framework, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit Act (*Texas Government Code*, Chapter 2102).

SAMSON T.A. and Associates, PLLC

External Quality Assurance Reviewer
Washington, DC
October 23, 2015

Member

American Institute of CPAs
Greater Washington Society of CPAs *** *Maryland Association of CPAs*

Samson T.A. and Associates, LLC

*Certified Public Accountants
& Management Consultants*

GSA Federal Supply Schedule, SBA 8(a) & SDB, DBE and MBE
DC Supply Schedule, DC LSDBE, and DC DOT DBE

125 L Street, S.E., Suite 202, Washington, DC 20003
Tel: (202) 595-9369, (240) 603-1434
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*Email: safolabi@samsontaepa.com
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**EXTERNAL QUALITY ASSURANCE REVIEW
TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
INTERNAL AUDIT FUNCTION
Year ended August 31, 2015**

BACKGROUND

The Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing*, U.S. Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit Act require that internal audit functions obtain external quality assurance review to assess compliance with standards and the Act and to appraise the quality of their operations. Government auditing standards require this review at least every three years. A periodic external quality assurance review, or peer review, of the internal audit function is an essential part of a comprehensive quality assurance program.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of the quality assurance review was to evaluate the Texas State Board of Public Accountancy's compliance with professional standards and the Texas Internal Audit Act. The scope of the review included all internal audits completed during the year ended August 31, 2015

The work performed during the review included:

- Review of Internal Audit's policies and procedures, annual risk assessment, annual audit plan, and other relevant documents;
- Review of the Texas Internal Auditing Act (Government Code, Chapter 2102);
- Review of the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing;
- Review of the U.S. Government Accountability Office (GAO) Government Auditing Standards, and the Code of Ethics contained in the Professional Practices Framework; and
- Review and evaluation of audit work papers.

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American Institute of CPAs

Greater Washington Society of CPAs *** *Maryland Association of CPAs*

VI. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2016
(To be submitted for Board's approval during the fiscal year)

	<u>Budgeted Hours</u>
• CPE-Verifications and Monitoring	100
• CPE-Recordkeeping	100
• Scholarship Trust Fund for Fifth-Year Accounting Students	<u>300</u>
	500

Our risk assessment was performed through the consideration of various factors, including:

1. Exposure Level
2. Complexity of Unit
3. Materiality of Revenues and Expenditures
4. Results of Last Audit
5. Extent of other Coverage or Oversight
6. Quality of Internal Controls/Adherence to laws
7. Changes in systems and processes
8. Normal Audit Interval

Although all of the above factors were considered in the assessment of risk for each process/system, some of the factors were weighed more heavily and considered to be more critical to the Agency's internal control structure. The following critical factors were weighted more heavily in our assessment.

- Exposure Level
- Quality of Controls
- Changes in Systems and Processes

VII. External Audit Services Procured in Fiscal Year 2015

There were no External Audit Services for the fiscal year 2015 other than Internal Audit Services.

VIII. Reporting Suspected Fraud and Abuse

In accordance with the requirements of Section 7.09, and the General Appropriations Act (83rd Legislature, Conference Committee Report) Article IX, and Texas Government Code, Section 321.022, the Texas State Board of Public Accountancy has posted information on how to report suspected fraud, waste or abuse of state funds on their website.

IX. Report Distribution

As required by Government Code Section 2102.0091 copies of this report should be filed with the following:

Governor's Office of Budget and Planning and Policy

Attn: Kara Belew

Phone: (512) 463-1778

budgetandpolicyreports@gov.texas.gov

Legislative Budget Board

Attn: Ed Osner

Phone: (512) 463-1200

Ed.Osner@lbb.state.tx.us

State Auditor's Office

Attn: Internal Audit Coordinator

Phone: (512) 936-9500

iacoordinator@sao.state.tx.us

Sunset Advisory Commission

Attn: Ken Levine

Phone: (512) 463-1300

sunset@sunset.state.tx.us

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

Audit Area History

Risk Assessment Ranking Prepared by Monday N. Rufus, P.C.

Prepared by TSBPA

- = Internal Audit
- = State Auditor's Office
- = Comptroller's Office

Proposed for FY 2016 by Internal Auditor

RANK							Audit History													
2016	2015	2014	2013	2012	2011	2010														
1	5	10	10	12	3	5	Information Systems – System Development	FY 2008	SAO-FY 2009											
2	8	8	13	3	4	3	Cash Disbursements	SAO-FY 1995	SAO-FY 1999	Comp. FY 2000	FY 2002	Comp. FY 2007	SAO-FY 2009	Comp. FY 2010	FY 2012	Comp. FY 2014				
3	12	14	2	7	8	11	Enforcement – Policies and Procedures	SAO-FY 1999	FY 2006	SAO-FY 2009	FY 2013									
4	4	12	15	11	1	1	Licensing application and processing	FY 1994	SAO-FY 1999	FY 2011										
5	14	18	17	13	13	14	CPE – Verification and Monitoring	FY 1999	FY 2003	FY 2009	FY 2013									
6	16	19	18	15	16	18	CPE – Recordkeeping	FY 2009												
7	6	11	11	16	19	7	Peer Reviews (formerly Quality Reviews)	FY 2001	FY 2010											
8	10	7	12	1	12	10	Payroll and Personnel processes	SAO-FY 1995	FY 1998	SAO-FY 1999	FY 2003	SAO-FY 2009	FY 2012	FY 2014						
9	13	3	7	8	10	17	Enforcement – Hearings	SAO-FY 2009												
10	9	13	16	18	15	9	Information systems – Physical Access & Security	FY 1994	SAO-FY 1999	SAO-FY 2009	FY 2010 follow up on SAO	FY 2013	FY 2015 follow up							
11	2	9	6	6	7	4	Budgeting and Reporting	FY 2008	SAO-FY 2009											
12	3	6	9	10	2	12	Scholarship Trust Fund for Fifth Year-Accounting	FY 2012												
13	11	2	4	5	5	2	Cash Receipts and fee processing	FY 1994	SAO-FY 1995	FY 1997	FY 2000	FY 2007	SAO-FY 2009	FY 2014						
14	7	1	1	2	17	8	Information systems – Business Continuity	FY 2004	SAO-FY 2009	FY 2014										
15	1	5	5	4	9	15	Qualifications – Policies, Procedures, & Verifications	SAO-FY 1999	FY 2001	FY 2007	FY 2012 follow up	FY 2015								
16	18	17	19	17	6	6	Fixed Assets	SAO-FY 1995	FY 1996	FY 2011										
17	17	16	3	20	20	19	Public Information Processes	FY 2005	FY 2008 follow up	FY 2013										
18	15	15	14	14	14	13	CPE – Sponsor Review Program	FY 2009												
19	19	20	20	19	18	16	Historically Underutilized Business (HUB) Compliance	SAO-FY 1999												

Alan L. Hermanson

From: Monday Rufus <monday@mondayrufus.com>
Sent: Thursday, August 27, 2015 7:35 PM
To: Alan L. Hermanson
Cc: William Treacy; rgonzales@mondayrufus.com
Subject: FY 2016 Proposed Internal Audit Plan
Attachments: Proposed Internal Audit Plan - FY 2016 TSBPA.pdf

Mr. Hermanson,

Please find attached our proposed internal audit plan for FY 2016 for the Texas State Board of Public Accountancy. If there are any questions, please let me know.

Sincerely,

Monday Rufus, CPA
Managing Shareholder
Monday N. Rufus, P.C.
608 Morrow Street, Suite 101
Austin, TX 78752
(512) 380-0799 p
(512) 380-0797 f
website: mondayrufus.com
email:monday@mondayrufus.com

**TEXAS STATE
BOARD OF PUBLIC
ACCOUNTANCY**

Internal Audit Plan FY 2016

MONDAY N. RUFUS, P.C
Certified Public Accountants & Consultants
608 Morrow Street, Suite 101, Austin, Texas 78752

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Internal Audit Plan – Fiscal Year 2016

MONDAY N. RUFUS, P.C.
Certified Public Accountants & Consultants
Member: American Institute of Certified Public Accountants

August 27, 2015

Executive Committee
Texas State Board of Public Accountancy
Austin, Texas

Dear Executive Committee Members:

As required by the Internal Auditing Act (Texas Government Code, Section 2102.008), we have prepared the audit plan of the Texas State Board of Public Accountancy (Board) for the Fiscal Year 2016.

We prepared a risk assessment to determine the areas in the Board that should be considered for internal audit. Based on that risk assessment, the following areas are recommended for internal audit in Fiscal Year 2016:

	<u>Estimated Hours</u>
• CPE-Verifications and Monitoring	100
• CPE-Recordkeeping	100
• Scholarship Trust Fund for Fifth-Year Accounting Students	<u>300</u>
	500

Your approval of the areas above will enable the internal auditor to commence audit activities for fiscal year 2016.

Sincerely,



Monday N. Rufus, MBA, CISA, CPA
Managing Shareholder
Monday N. Rufus, P.C.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Internal Audit Plan – Fiscal Year 2016

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TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Internal Audit Plan – Fiscal Year 2016

I. Purpose

The Purpose of this internal audit plan is to document the development, risk assessment, scope of assignments and implementation timetable for fiscal year 2016 internal audit activities. This document will serve as a primary tool to carry out internal audit responsibilities in an efficient manner and prioritize the audit areas based on risk assessments agreed to by the Board Members or the designated Committee of the Texas State Board of Public Accountancy (Board).

Due to the nature, scope and timing of audit procedures contemplated here, planning for specific aspects of the audit is a continuing process. Accordingly, the plan will be revised as necessary and reviewed at least annually.

This plan has been prepared to meet planning guidelines as required by both generally accepted governmental auditing standards and conducted in conformance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

II. Background Information

The Texas State Board of Public Accountancy operates under the authority of the *Public Accountancy Act, Chapter 901 of the Occupations Code (West 2011) effective September 1, 2011*. The Board has the responsibility and authority to regulate the practice of public accountancy in Texas through examination, certification, registration, licensure, continuing professional education, peer review, enforcement, and public education.

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House Bill 1685 authorizes the Board's continuance as a self-directed and semi-independent agency and removed the Act's project status and separate Sunset date.

The Act requires the Board to annually remit \$703,344 to the general revenue fund. The Board is required to remit all administrative penalties collected by the agency to the comptroller for deposit in the general revenue fund.

The Act requires the Board to use the comptroller's uniform statewide accounting system under Chapter 2101 to make all payments, other than direct payments from the Texas State Board of Public Accountancy to the Texas Treasury Safekeeping Trust Company.

The statute provides for fifteen Board members appointed by the Governor, with the advice and consent of the Senate, for six-year staggered terms. The Board is comprised of 10 CPAs with five of the 15 members designated as public members who are not licensed by the agency and who do not have

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Internal Audit Plan – Fiscal Year 2016

financial affiliations with any organizations that are regulated by the Board. The Governor designates the Presiding Officer. The Board members appoint an Executive Director. The executive director reports directly to the Board and is responsible for overseeing all of the Board's operations. The Board's operating budget is prepared and approved by the Board on an annual basis.

Effective 2004, the CPA Examination started being offered via computer-based format. As a result, a national database of CPA examination applicants has been developed which is used by the Board of Accountancy to verify applicant eligibility, and ultimately to schedule the CPA examination throughout the year at various Prometric testing centers. The national database is managed by the National Association of State Boards of Accountancy with input from all CPA licensing jurisdictions. This has made a major impact on the activities of the Board.

House Bill 2440 passed by the 81st Legislature transferred the administration of the fifth year scholarship program from the Texas Higher Education Coordinating Board to the TSBPA, effective September 1, 2009.

The Board approved fee changes in response to the passage of House Bill 7 (HB 7) by the 84th Texas Legislature. Currently, the Board is mandated to collect \$200 from each license it issues. The \$200 fee is deposited into the state's General Revenue Fund for general government operations, as determined by the Legislature. Effective September 1, 2015, HB 7 will eliminate the annual \$200 fee for accountants and other licensed professionals in Texas. (Renewal fee charges accrued prior to September 1, 2015 will continue to include the \$200 professional fee.) HB 7 was the largest single fee repeal of the 84th Legislative Session. It will save over 600,000 Texas professionals \$125 million annually, including a savings of \$13 million for Texas CPAs! Licensing fees for most practicing CPAs will be \$191 less than they have been in the past fiscal year due to the passage of HB 7.

The Board will also be impacted by HB 7 and expects a revenue reduction from late payment fees, which are based on the total license fee. The Board also expects revenue reductions as a result of the projected number of retiring licensees. The annual growth rate for retiring licensees has averaged 12.74 percent for the past five years. CPA Exam expenditures are another budget driver for the Board, due to expenditures exceeding revenue. As a result of the Board's projected revenue, expenditures, and fund balances, modest fee increases are necessary to maintain the same level of operations for Texas licensees. Effective September 1, 2015, the individual license fee will increase from \$57 to \$66 (including the \$10 to be deposited into the fifth-year accounting students' scholarship trust account); the firm license fee will increase from \$50 to \$60; and the firm organization fee for firms with 2 to 5 CPA owners, CPA employees, and non-CPA owners will now be \$10 per individual count. Effective October 1, 2015, the retired/disabled fee will increase from \$10 to \$15, and the Exam application of intent fee will increase from \$50 to \$60.

The Board is divided into seven divisions. They are the Licensing, Continuing Professional Education, Sponsor Review Program and Peer Review Division; Qualifications Division; Enforcement Division; Public Information Division; Executive Division; Accounting and Administrative Services Division; and Information Resources Division, all of which report directly to the Executive Director. The Executive Division is headed by the Executive Director.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Internal Audit Plan – Fiscal Year 2016

DIVISIONAL INFORMATION

The Board's staff is organized into seven divisions including the Executive Division, each with specific duties and responsibilities in carrying out the overall mission of the Board.

A. Licensing/Continuing Professional Education/Peer Review

1. *Licensing* – The licensing division performs the following functions:

a. **Registration** – Registration is required of the following entities engaged in the practice of public accountancy:

- Professional corporations;
- Partnerships;
- Limited liability companies
- Registered limited liability partnerships; and
- Sole proprietorships

In addition:

- Certified public accountants of other states and persons holding similar titles in foreign countries pursuant to the *Public Accountancy Act (the Act)* (an individual so registered must identify himself or herself as a certified public accountant of the state which issued the certificate or identify the foreign country and the title held); and
- Firms and individuals temporarily engaged in the practice of public accountancy must obtain a temporary permit to practice.

b. **Reciprocity** – The Board may issue a certificate of certified public accountant to a person holding a certificate issued by another state if all requirements are met pursuant to the *Act*.

c. **Licensure** – The following must be licensed by the Board to lawfully practice public accountancy in Texas:

- Certified public accountants
- Public accountants
- Individuals registered with the Board under the *Act* as certified public accountants of other states and persons holding similar title in foreign countries
- Practice units (professional corporations, partnerships, limited liability companies, registered limited liability partnerships, and sole proprietorships) engaged in the practice of public accountancy.

2. *Continuing professional education* – Texas CPAs are required to comply with the Board's mandatory continuing professional education program. The continuing professional education section maintains records of registered sponsors of continuing

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

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professional education courses and verifies that licensees have earned and reported the minimum required number of continuing professional education hours.

3. *Peer review* - Each firm performing audits, reviews, compilations of financial statements, or preparation of forecasts, projections, and other special reports must undergo a peer review every three years. This program is intended to measure the work product of firms in the client practice of public accountancy for adherence to quality control standards adopted by practitioners and the profession.
4. *Sponsor Review Program* - The Board sponsor review program (SRP), a review program for organizations offering CPE courses, ensures the availability of high-quality continuing professional education (CPE) for Texas CPAs. The program provides the means by which the Board can evaluate courses and enforce standards.

The licensing director is the staff liaison to the licensing, continuing professional education, and peer review committees.

B. Qualifications Division

The Qualification Division is responsible for the following functions required by the *Act*:

1. reviewing, evaluating, and processing applications of individuals to take the Uniform Certified Public Accountant Examination (UCPAE);
2. reviewing, evaluating, and processing applications of individuals who have successfully completed the UCPAE and are applying to become CPAs of this state; and
3. disseminating information to colleges and universities and to the general public on the requirements to become a CPA of this state, and UCPAE process.

The director of qualifications serves as the liaison to the Board's qualifications committee.

C. Enforcement Division

When a licensee or registrant violates statutory provisions related to the practice of public accountancy or the Rules of Professional Conduct, the Board has the authority to reprimand, place on probation, limit the scope of practice, suspend, revoke, or refuse to renew a license or registration, or take other disciplinary action. In addition, the Board has the authority to enforce specific statutory prohibitions against practicing or offering to practice public accountancy without a license.

The Board has the authority to assess direct administrative costs incurred in connection with its enforcement activities and to assess an administrative penalty not to exceed \$100,000 per violation.

Among the functions of the division are investigating complaints against licensees and non-licensed individuals, preparing and filing Board rule changes with the Secretary of State,

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Internal Audit Plan – Fiscal Year 2016

preparing for and prosecuting contested case hearings, assisting the Attorney General in presenting certain administrative and court proceedings against licensees and non-licensees.

D. Public Information Division

The *Act* provides for public information services to carry out the Board's responsibility of protecting the public. The public information function includes writing, editing, and preparing all Board publications, brochures, and newsletters, and publishing the *Act* and Board rules, disseminating this material to the public, and responding to inquiries concerning recent legislative and Board actions. This division also coordinates the semi-annual regional swearing-in ceremonies. This division is coordinated by the public information officer.

E. Executive Division

The Executive Division consists of the executive director, the public information officer, and an administrative assistant. The Executive Director reports directly to the Board, and is responsible for overseeing all of the Board's operations.

F. Accounting and Administrative Services Division

The Accounting and Administrative Services Division is responsible for all support activities of the Board. The Division is headed by the Board's Director of Administrative Services/Chief Financial Officer (a CPA), who reports directly to the executive director. The division consists of the Administrative Services Section and the Accounting Section. The Administrative Services Section oversees the daily operations of the mailroom, the reception function, purchasing, personnel, and the office facility. The Accounting Section manages the budget and accounting functions of the Board. This section is responsible for financial and performance reporting such as the Annual Financial Report and the Report on Performance Measures.

G. Information Resources Division

The Information Resources Division is divided into two sections: Application development and Production Control.

1. *Application Development* – This section is responsible for the design, development, and continued maintenance of the Board's computer systems. Other responsibilities include the integration of hardware, software, and the internal and external peripherals on the host system and microcomputers. This section also designs, develops, and maintains the Board's information database which supports and integrates enterprise and Internet systems. This section is responsible for developing and maintaining the Board's network, and setting up and managing the Board's off-site data center which is the focus of the Board's information technology disaster recovery plan.

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2. *System Support* – This section is responsible for the operation, and support of the Board's production systems. These activities include running production programs, maintaining logs, and documentation, maintaining the enterprise database to support compliance with laws, regulations, and procedures, managing system backup to tape media, basic hardware operation and maintenance, managing computer supply inventory, and coordination with staff in all divisions.

Other responsibility of this division include maintenance of the local area network, information security and telecommunication system for the Board. The division director serves as the Information Security Officer (ISO), oversees the activities of these sections, and reports to the Board's Executive Director.

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Internal Audit Plan – Fiscal Year 2016

The Agency's operating budget for the fiscal year 2016 was as follows:

PUBLIC STANDARDS

Licensing	\$ 1,318,642
Sponsor Review Program	275,788
Peer Review	116,916

ENFORCEMENT

Operating	893,506
Major Cases – Expert Witnesses, OAG Legal Services	298,157
Major Cases – Contingency	0

PUBLIC EDUCATION

Public Information	528,722
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INDIRECT ADMINISTRATION

Indirect Administration	<u>2,040,960</u>
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Grand Total \$ 5,472,691

II. Internal Audit Plan Methodology

This section summarizes the methodology used in preparing the annual internal audit plan. In order to understand the Board and develop the risk assessment process, the following was reviewed:

- Strategic Plan
- Operating Budget
- State Legislation
- Reports from the State Auditor's Office
- Annual Financial Reports
- Prior Internal Audit Reports
- Organizational Chart
- Agency Website
- Board Brochures and other pertinent information

In planning internal audit procedures, financial, operational, as well as compliance issues are considered in determining processes/systems of interest. Functional areas that cross many divisions and the interaction between divisions are key criteria in the process of identifying areas of interest. The Board's financial reports, planning documents, laws,

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Internal Audit Plan – Fiscal Year 2016

rules, and regulations were all considered in developing the list of areas of interest. Upon completion of this list, each area was subjected to a risk analysis process.

The following Board processes/systems have been considered during the development of the areas of interest list:

- Enforcement – Policies and Procedures
- Information Systems – System Development
- Cash Disbursements Processing, Payables, and Payroll
- Licensing Applications and Processing
- CPE – Verification and Monitoring
- CPE – Recordkeeping
- Peer Reviews
- Personnel Processes
- Enforcement – Hearings
- Information Systems – Logical & Physical Security
- Budgeting and Reporting
- Scholarship Trust Fund for Fifth-Year Accounting Students
- Cash Receipts and Fee Processing
- Information Systems – Business Continuity
- Qualifications – Policies & Procedures and Verifications
- Fixed Assets
- Public Information
- CPE – Sponsor Review Program
- Historically Underutilized Business (HUB) Compliance

There are numerous other areas that may be identified during the process of performing internal audit procedures during the year. Continuing input from both the Board members and management will be essential in identifying additional or new areas of risk that should be considered in the future.

The risk assessment was performed through the consideration of various factors, including:

1. Exposure Level
2. Complexity of Unit
3. Materiality
4. Results of Last Audit
5. Extent of other Coverage or Oversight
6. Quality of Internal Controls/Adherence to Laws
7. Changes in Systems and Processes
8. Normal Audit Interval

Although all of the above factors were considered in the assessment of risk for each process/system, some of the factors were weighed more heavily and considered to be more critical to the Board's internal control structure. The following critical factors were weighted more heavily in our assessment.

- Exposure Level

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Internal Audit Plan – Fiscal Year 2016

- Quality of Internal Controls/Adherence to Laws
- Changes in Systems and Processes

The other factors noted are not considered to be as critical to the internal control structure of the Board. However, all factors were considered in assessing risk and were taken into consideration for each process/system as to their impact on the Board. Once each area of interest was evaluated, it was assigned a risk factor of high, moderate or low. The following is the result of the risk assessment process.

Processes Identified as High Overall Risk

None

Processes Identified as Moderate Overall Risk

Information Systems – System Development
Cash Disbursements Processing, Payables, and Payroll
Enforcement – Policies and Procedures
Licensing Applications and Processing
CPE – Verification and Monitoring
CPE – Recordkeeping
Peer Reviews
Personnel Processes
Enforcement – Hearings
Information Systems – Logical & Physical Security
Budgeting and Reporting
Scholarship Trust Fund for Fifth-Year Accounting Students
Cash Receipts and Fee Processing

Processes Identified as Low Overall Risk

Information Systems – Business Continuity
Qualifications – Policies & Procedures and Verifications
Fixed Assets
Public Information
CPE – Sponsor Review Program
Historically Underutilized Business (HUB) Compliance

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Internal Audit Plan – Fiscal Year 2016

III. Internal Audit Plan

The internal audit plan is designed to provide a review of all areas based on the level of risk. Although the plan is structured in this manner, it should not prevent the review of areas on a more frequent basis, in the case of future restructuring or development of new processes/systems. Also, special reviews might be added in the future as requested by the Board or when deemed necessary by the internal audit function after performance of in-depth review of the specific divisions/systems. Any proposed addition by the internal auditor will be presented to the Executive Committee or Board for approval before the commencement of such internal audit activity.

Internal audit activities will be primarily concerned with documenting, testing and evaluating each division or system's internal control policies and procedures and the quality of performance in carrying them out. This will include reporting conditions and suggestions to management and evaluating management's response and plans for corrective actions. Opportunities for improved efficiency identified as a result of performing internal activities will be communicated to management and the Board or its designated Committee as part of the reporting process.

Internal Audit activities for the fiscal year ending 2016 are planned for the following processes/systems:

<u>Fiscal Year 2016</u>	<u>Estimated Hours</u>
1. CPE-Verifications and Monitoring	100
2. CPE-Recordkeeping	100
3. Scholarship Trust Fund for Fifth-Yr Accounting Students	<u>300</u>
	500

These audits will take place from November 2015 through August of fiscal year 2016 with final reporting occurring in October 2016. The above plan does not preclude the internal audit function from identifying and assessing risk relating to new divisions or systems added to the Agency.

These processes/systems were identified for review through risk assessment methodology. As discussed above, this methodology included identifying financial and non-financial risk, identifying interaction of divisions amongst each other, identifying rules and regulations various divisions must comply with, and identifying the types of transactions and personnel involved within each division.

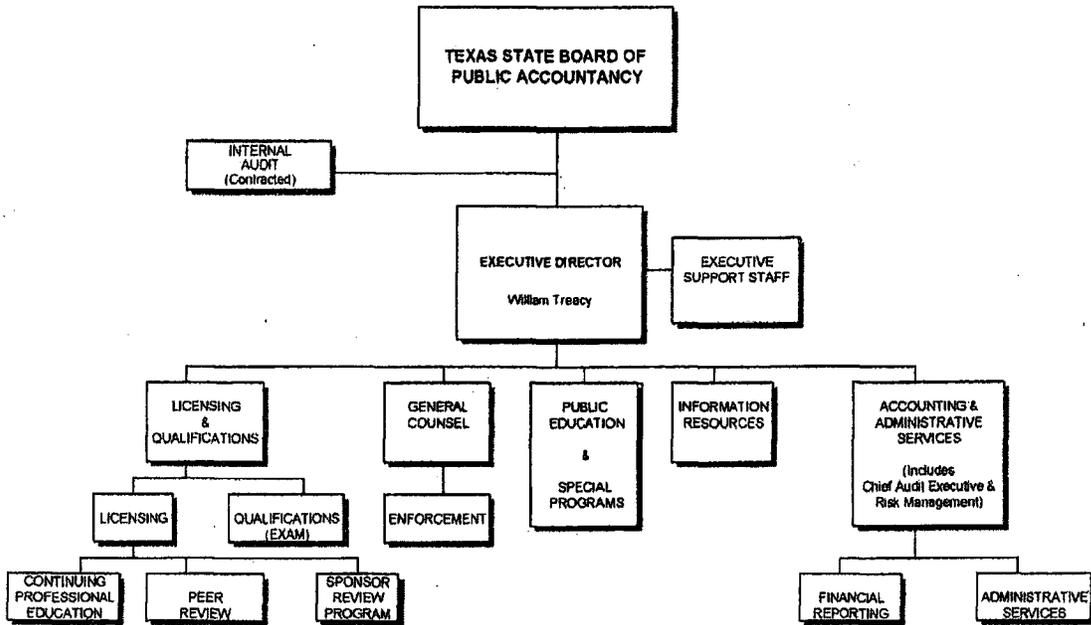
IV. Reporting

In compliance with the Texas Internal Auditing Act, the annual internal audit report and individual reports will be submitted to the Governor's Office of Budget and Planning, the Legislative Budget Board, the Sunset Advisory Commission, and the State Auditor, agency Board members, and Agency's Executive Director by November 1, 2016. The annual internal audit report will be in the form specified by the State Auditor.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Internal Audit Plan – Fiscal Year 2016

Appendix A: Organizational Chart

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
ORGANIZATION CHART
As of September, 2013



TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Internal Audit Plan – Fiscal Year 2016

Appendix B: Risk Assessment

High Risk: 38 & up
 Moderate: 30-37
 Low: Below 30

	<u>Total</u>	<u>Weighted Rank</u>
Information Systems – System Development	35	1
Cash Disbursements Processing, Payables, and Payroll	34	2
Enforcement – Policies and Procedures	34	3
Licensing Applications and Processing	33	4
CPE – Verification and Monitoring	33	5
CPE – Recordkeeping	33	6
Peer Reviews	33	7
Personnel Processes	32	8
Enforcement – Hearings	32	9
Information Systems – Logical & Physical Security	32	10
Budgeting and Reporting	31	11
Scholarship Trust Fund for Fifth-Year Accounting Students	31	12
Cash Receipts and Fee Processing	30	13
Information Systems – Business Continuity	29	14
Qualifications – Policies & Procedures and Verifications	26	15
Fixed Assets	26	16
Public Information	26	17
CPE – Sponsor Review Program	25	18
Historically Underutilized Business (HUB) Compliance	21	19

Agenda Item III

Report of the Executive Committee

January 13, 2016

C. Review of NASBA/AICPA matters

DISCUSSION: The presiding officer will present the following NASBA/AICPA matters:

- **NASBA dates of interest:**
 1. 34th Annual Conference for Executive Directors and Board Staff – March 15-17, 2016 in Tucson, AZ.
 2. 21st Annual Conference for Board of Accountancy Legal Counsel – March 15 – 17, 2016 in Tucson, AZ.
 3. Western Regional Meeting – June 22-24, 2016 in Denver, CO.
 4. 109th Annual Meeting – October 30 – November 2, 2016 in Austin, TX

RECOMMENDATION: None by staff

SUGGESTED MOTION: None by staff

Agenda Item III

Report of the Executive Committee

January 13, 2016

D. Review of open records letter ruling OR2015-25090

DISCUSSION: The presiding officer will review an open records letter ruling OR2015-25090 coming to the Board's attention.

RECOMMENDATION: None by staff

SUGGESTED MOTION: None by staff





TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
WILLIAM TREACY, EXECUTIVE DIRECTOR

333 Guadalupe, Tower 3, Suite 800
Austin, Texas 78701-3900

512-305-7800
WWW.TSBPA.STATE.TX.US

September 25, 2015

The Honorable Ken Paxton
Attorney General of the State of Texas
Office of the Attorney General
209 W. 14th St.
Austin, Texas 78701

ATTENTION: Open Records Division

Re: Request for Public Information Act Decision or Ruling

Dear General Paxton:

This agency has received, pursuant to the Public Information Act (PIA), a request for agency files and records which we believe state law requires to be treated as confidential information and excepted from disclosure. We are therefore asking you for a decision on whether or not the information requested should be released or if it is, as we believe, to be a mandatory exception from disclosure and excepted from release pursuant to the PIA and this agency's enabling legislation.

HISTORY

By email transmission received September 16, 2015, a copy of which is enclosed and identified as Exhibit A, this agency received a request seeking agency documents and records. By letter dated September 24, 2015 (Exhibit B), the requestor received file materials in response to his request and an explanation that this agency was of the opinion that certain information being requested was confidential information and not subject to the PIA. The requestor was also advised that this agency would be asking your office for a determination as to whether the file materials withheld by this agency are public information.

The language of the PIA request follows:

I would like to request the entire case file or files for any complaints made to the Board against the following. All are located in Austin, Texas.

Southwest Business Consultants, Inc.
Todd Lively, Individually
Todd Lively, CPA, PLLC
Julie Turner, Individually
Julie Turner, CPA

Please provide license information for these [sic] during the period of 2007-2010.

Administration/
Accounting
(512) 305-7800

General
Information
(512) 305-7870

CPE
(512) 305-7844

Enforcement
(512) 305-7866

Licensing
(512) 305-7853

Qualifications
(512) 305-7851

Peer Review
(512) 305-7853

Fax
(512) 305-7875
(512) 305-7854

We believe that the Texas *Public Accountancy Act* (hereinafter referred to as the *Act*) requires this agency to maintain the confidentiality of some of the information requested in the PIA request by Mr. Horn.

PRIOR RULINGS BY THE ATTORNEY GENERAL

The requestor is seeking information which has been gathered or received by the board in the course of a disciplinary action investigation against a license holder.

There are several Attorney General rulings which we believe are on point which address the questions raised by the PIA request.

Attorney General ruling OR2006-11738, Exhibit C, concluded that information collected in the course of disciplinary actions against license holders prior to public hearing must be withheld under § 552.101 of the Government Code in conjunction with § 901.160(c) of the *Act*. Attorney General ruling OR2009-01381 (Exhibit D) had the same determination with the same or similar questions. Also, Attorney General ruling OR2009-01584 (Exhibit E) determined that the information gathered or received by the board in the course of a disciplinary action against a license holder must be withheld by the board.

DISCUSSION

Section 552.101 of the PIA provides for exceptions to disclosure for information that is confidential by law, either constitutional, statutory or by judicial decision. We believe the controlling law requiring us to treat the information requested as confidential and not subject to disclosure to be § 901.160(c) of the *Act*. Section 901.160 of the *Act* states:

- (a) The board shall make available at the board's offices in Austin any file maintained or information gathered or received by the board from a third party regarding a license applicant or current or former license holder for inspection by the applicant or license holder during normal business hours.
- (b) A license applicant or current or former license holder may authorize the board in writing to make available for inspection by a designated person or by the public any information gathered or received by the board from a third party regarding the applicant or license holder.
- (c) Except on written authorization as provided by Subsection (b), the following information gathered or received by the board is confidential and not subject to disclosure under Chapter 552, Government Code.
 - (1) information regarding the qualifications of an applicant or firm license holder to be issued a firm license as a certified public accountant;
 - (2) information regarding the qualifications of an applicant or firm license holder to be issued a firm license as a certified public accountancy firm; and
 - (3) information regarding a disciplinary action under Subchapter K against a license holder or an applicant to

take the uniform CPA examination, before a public hearing on the matter. [emphasis added]

- (d) A final order of the board relating to a disciplinary action against a license holder, including a reprimand, that results from an informal proceeding or a formal public hearing is subject to disclosure to the public and is available on request.
- (e) The board may disclose information that is confidential under this section to another governmental, regulatory, or law enforcement agency engaged in an enforcement action. The board by rule shall adopt guidelines to assist the board in exercising its authority to share information under this subsection. Subsections (a) and (c) do not apply to information disclosed under this subsection.

ENFORCEMENT PROCESS

The Texas State Board of Public Accountancy (Board) consists of 15 members appointed by the Governor. (§ 901.051 of the *Act*) The members have the responsibility of assuring that the Certified Public Accountants in Texas maintain high standards of professional competence and integrity (§ 901.005(e)(3)(A) of the *Act*). The Board has the authority pursuant to the *Act* to initiate disciplinary investigatory proceedings to assure those standards are maintained (§ 901.151(b)(2) of the *Act*).

The Board employs staff attorneys to be responsible for receiving the initial complaint, conducting an investigation, interviewing witnesses, compiling written statements and relevant evidence and determining if a Board rule or the *Act* has been violated.

The staff attorneys may determine, in concert with the Board's Executive Director, if there exists sufficient evidence to support pursuing the disciplinary investigation any further. If not, the disciplinary investigation may be dismissed. If there is evidence of a violation, the disciplinary investigation may result in an offer of settlement or it may be taken to an enforcement committee of the Board to continue the investigation. When taken to an enforcement committee, which occurs in the vast majority of disciplinary investigations, the committee members make a determination as to whether or not a Board rule or the *Act* has been violated and if discipline is appropriate.

The enforcement committees are working committees authorized in the *Act* for the review of enforcement matters. The committees consist of at least two Board members and two non-Board members. The committees may hold a closed meeting as provided by § 551.090 of the Government Code and § 901.153(f) of the Occupations Code, i.e. the *Act*, in order to maintain the confidentiality of the investigation.

Only the agency's staff attorney(s) and the committee members attend these meetings to review the results of the staff attorney's investigation and to seek the staff attorney's advice.

LEGISLATIVE PURPOSE

One of the legislature's purposes of § 901.160(c) (3) of the *Act* is to protect wrongfully accused licensees from acquiring a public record of accusations which by their mere existence can damage the licensee's professional reputation. (A person filing a complaint with the Board is protected from legal recourse by the doctrine of quasi-judicial immunity). The Board receives a significant number of complaints which are without merit and are dismissed. This provision of the *Act* is intended to prevent those accusations lacking merit from becoming public and unfairly injuring the licensee without any recourse to the licensee.

ATTORNEY GENERAL OPINIONS ON POINT

In OR2006-11738, your office ruled that § 901.160(c) of the *Act* requires the Board to withhold the confidential disciplinary information gathered or received by the Board in conjunction with its disciplinary investigative proceedings. The ruling further determined that the attorney-client privilege created an exception to disclosure.

The only material that the ruling determined that should be released was the committee meetings agenda which were required to be posted pursuant to the Open Meetings Act. As referenced in the description of the enforcement process in the first paragraph above, the enforcement committees are now permitted to hold a closed meeting to protect the confidentiality of the investigations. The committees previously went into executive session to consult with their attorney to maintain the confidentiality of the investigation.

ADDITIONAL EXCEPTIONS

In addition, these disciplinary investigation files contain information regarding the qualifications of a license holder, a history of enforcement actions the license holder has been involved in and all the details of the disciplinary investigations. All of these documents are gathered and presented by a Board attorney to assist the enforcement committee in evaluating the allegations brought against each individual license holder. The information is used exclusively in the disciplinary investigation process as envisioned by § 901.160(c)(3) of the *Act*.

Since some of the information contained in the disciplinary action materials originate from the individual license holder's licensing file, § 901.160(c)(1) & (2) of the *Act* must also be considered. Information contained in the licensing file is considered confidential and should not be subject to disclosure pursuant to § 901.160(c)(1) & (2) of the *Act*. This is information maintained by the Board "regarding the qualifications of an applicant or firm license holder to be issued a firm license as a certified public accountant" or "as a certified public accountancy firm".

ADDITIONAL ATTORNEY GENERAL OPINIONS

Open Records Decision No. 451 issued on December 12, 1986 supports this agency's belief that the information requested is considered to be confidential information and not subject to disclosure. A copy of that opinion is enclosed and identified as Exhibit F.

That opinion addressed a request to the Board for the name and address of the licensee and his attorney, the certificate number of the licensee, the complaint number assigned to the file for identification purposes, the section numbers of provisions of the Rules of Professional Conduct and the *Public Accountancy Act*, the name and address of the complaining party and attorney, the home and business telephone numbers of the Respondent license holder and Complainant, a synopsis of enforcement activity in the file and copies of the tape recordings and committee reports. All of the information requested was compiled for the benefit of the Board's Technical Standards enforcement committee for its consideration of a disciplinary action in response to a complaint.

Open Records Decision 451 stated in the fourth paragraph on page three:

The emphasized portion of section 25 **establishes that the board may withhold information concerning a pending disciplinary proceeding against a licensee** unless that licensee has authorized a designated person to inspect the information. (Note that emphasis has been added and section 25 is now found in § 901.160(c) of the Act)

The opinion ultimately provided for release of the information requested but the decision was based entirely upon the license holder authorizing a designated person to inspect the information.

The language is clear that the information would not have been released but for the authorization by the license holder to release the information to a designated person.

In addition, Open Records Decision No. 367 addresses the same issue. A copy of this decision is enclosed and identified as Exhibit G. This decision found that documents that related to the application for certification by the board of a particular individual, including scholastic records, examination scores, work experience, and several memoranda commenting on the applicant's eligibility were excepted from disclosure.

ATTORNEY-CLIENT PRIVILEGE

The Board also believes, and this conclusion is supported in OR2006-11738, that the information requested in the current pending request is excepted from disclosure pursuant to § 552.107(1) of the PIA. This section of the PIA excepts information from public disclosure if:

it is information that the attorney general or an attorney of a political subdivision is prohibited from disclosing because of a duty to the client under the Texas Rules of Evidence, the Texas Rules of Criminal Evidence, or the Texas Disciplinary Rules of Professional Conduct;

The Honorable Ken Paxton
September 25, 2015
Page 6

Attorneys are employed by the Board in a legal capacity to investigate each of the complaints received by the Board and present them to enforcement committees for the committee's consideration. The attorneys are solely responsible for gathering and assembling all the facts in each of the disciplinary complaint investigations, discussing the complaints with the complainants and relevant witness(s), assembling all the evidence gathered from the investigations along with the supporting documents, summarizing the investigations, and rendering legal advice to the committees on each of the complaints.

The information sought by the requestor are the materials and product of the attorney's investigations that are presented to the committees. These materials and the written legal advice provided is excepted from disclosure by the Attorney-Client privilege recognized in § 552.107(1) of the PIA.

In Harlandale Independent School District v. Cornyn (25 S.W. 3d 328 Tex. App.—pet. Austin 2000, Denied), the Third Court of Appeals found that when an attorney is hired to conduct an investigation in his or her capacity as an attorney, a report produced by him or her which contains both factual information and legal advice, is excepted from disclosure in its entirety under § 552.107(1) of the PIA.

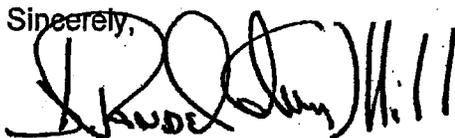
Open Records Decision OR2008-05520, issued on April 24, 2010, and enclosed and identified as Exhibit H, was issued in response to a request for an Open Records Decision which we believe further addresses this issue. Information was sought that was prepared by a staff attorney with this agency for consideration by a committee in charge of the investigation of a complaint. The decision found that the document requested was created and within the Attorney-Client privileged communication.

ENCLOSURES

I have enclosed the disciplinary investigatory file materials sought in the PIA request which we believe to be confidential and are identified as Exhibit I.

Should you have any questions or need further materials, please feel free to contact me at 512-305-7848 or by email at jhill@tsbpa.state.tx.us or at the above mailing address.

Sincerely,



J. Randel (Jerry) Hill
General Counsel

xc: John Horn (no enclosures)
Julie Turner (no enclosures)
Todd Lively (no enclosures)



KEN PAXTON
ATTORNEY GENERAL OF TEXAS

ENF
DEC 02 2015

December 2, 2015

Mr. J. Randel Hill
General Counsel
Texas State Board of Public Accountancy
333 Guadalupe, Tower 3 Suite 900
Austin Texas 78701-3900

OR2015-25090

Dear Mr. Hill:

You ask whether certain information is subject to required public disclosure under the Public Information Act (the "Act"), chapter 552 of the Government Code. Your request was assigned ID# 589211.

The Texas State Board of Public Accountancy (the "board") received a request for licensing information from 2007 through 2010 and case files pertaining to the investigations of named individuals and companies. The board states it has released some of the requested information, but claims the submitted information is excepted from disclosure under sections 552.101 and 552.107 of the Government Code. We have considered the claimed exceptions and reviewed the submitted information.

Section 552.101 of the Government Code excepts from disclosure "information considered to be confidential by law, either constitutional, statutory, or by judicial decision." Gov't Code § 552.101. This section encompasses section 901.160 of the Occupations Code, which provides the following:

- (a) The board shall make available at the board's offices in Austin any file maintained or information gathered or received by the board from a third party regarding a license applicant or current or former license holder for inspection by the applicant or license holder during normal business hours.

(b) A license applicant or current or former license holder may authorize the board in writing to make available for inspection by a designated person or by the public any information gathered or received by the board from a third party regarding the applicant or license holder.

(c) Except on written authorization as provided by Subsection (b), the following information gathered or received by the board is confidential and not subject to disclosure under [the Act]:

(1) information regarding the qualifications of an applicant or license holder to be certified as a certified public accountant;

(2) information regarding the qualifications of an applicant or firm license holder to be issued a firm license as a certified public accountancy firm; and

(3) information regarding a disciplinary action under Subchapter K1 against a license holder or an applicant to take the uniform CPA examination, before a public hearing on the matter.

(d) A final order of the board relating to a disciplinary action against a license holder, including a reprimand, that results from an informal proceeding or a formal public hearing is subject to disclosure to the public and is available on request.

(e) The board may disclose information that is confidential under this section to another governmental, regulatory, or law enforcement agency engaged in an enforcement action. The board by rule shall adopt guidelines to assist the board in exercising its authority to share information under this subsection. Subsections (a) and (c) do not apply to information disclosed under this subsection.

Occ. Code § 901.160. The board represents the submitted information was collected in the course of disciplinary actions against license holders prior to a public hearing. It does not appear the exceptions to confidentiality in section 901.160 apply. Therefore, the board must withhold the submitted information under section 552.101 of the Government Code in conjunction with section 901.160(c) of the Occupations Code.¹

¹As our ruling is dispositive, we do not address the board's other argument to withhold this information.

This letter ruling is limited to the particular information at issue in this request and limited to the facts as presented to us; therefore, this ruling must not be relied upon as a previous determination regarding any other information or any other circumstances.

This ruling triggers important deadlines regarding the rights and responsibilities of the governmental body and of the requestor. For more information concerning those rights and responsibilities, please visit our website at http://www.texasattorneygeneral.gov/open/orl_ruling_info.shtml, or call the Office of the Attorney General's Open Government Hotline, toll free, at (877) 673-6839. Questions concerning the allowable charges for providing public information under the Act may be directed to the Office of the Attorney General, toll free, at (888) 672-6787.

Sincerely,



James L. Coggeshall
Assistant Attorney General
Open Records Division

JLC/sb

Ref: ID# 589211

Enc. Submitted documents

c: Requestor
(w/o enclosures)

IV

Agenda Item IV
Rules Committee Agenda

January 13, 2016

1:30 p.m.

- A. Discussion, consideration and possible action concerning proposed amendments to Board Rules 513.10 (*Firm License*) and 513.11 (*Qualifications for Non-CPA Owners of Firm License Holders*) clarifying that a CPA firm may have professional corporation ownership.
- B. Discussion, consideration, and possible action on a proposed revision to Board Rule 523.131(b)(3) (*Board Approval of Ethics Course Content*) to require ethics course providers to have in their presentation and materials information on the services available to licensees from the Accountants Confidential Assistance Network (ACAN).
- C. Discussion, consideration and possible action on proposed revisions to the AICPA/NASBA Model Uniform Accountancy Act and Model Rules to create a "Retired" status for Certified Public Accountants.
- D. Discussion, consideration and possible action to initiate a review of this agency's rules pursuant to Section 2001.039 of the Texas Government Code.
- E. Schedule next meeting.

Agenda Item IV
Rules Committee Agenda

January 13, 2016

1:30 p.m.

- A. Discussion, consideration and possible action concerning proposed amendments to Board Rules 513.10 (*Firm License*) and 513.11 (*Qualifications for Non-CPA Owners of Firm License Holders*) clarifying that a CPA firm may have professional corporation ownership.

DISCUSSION: The Rules Committee asked the staff to inquire of the Secretary of State's Office (SOS) if the office reviewed the applications of the professional organizations for registration to assure that the firms they registered were composed entirely of licensees. The staff had previously advised the committee that this agency had licensed CPA firm professional organizations that had non-CPA ownership and such ownership appeared to not comply with the Texas Business Organizations Code (TBOC).

The General Counsel to the SOS advised staff that pursuant to SOS rules, the SOS reviews the application to assure it meets the minimum statutory requirements. The SOS will not determine substantial compliance, however, with the TBOC and therefore does not verify that all the owners of a professional organization are in fact licensed as required by the TBOC. Their rule follows:

1 T.A.C. § 79.21:

The secretary of state will determine whether a document authorized to be filed with the secretary of state meets the minimum statutory requirements for filing. The secretary of state will not determine substantial compliance with the Texas Business Organizations Code or verify whether the entity has complied with its governing documents; whether a material misrepresentation has been made in any document submitted on behalf of an entity; or whether the person or persons signing the document on behalf of the entity were in fact authorized to do so.

Attorney General Opinion No. JC-0536 confirms that CPA firms may be organized as either a professional organization or a general corporation. If a CPA firm organizes as a professional organization; however, it must be composed entirely of CPAs.

RECOMMENDATION: That the Rules Committee recommends to the Board the publication of the proposed rule revision to Board Rules 513.10 and 513.11 in the *Texas Register* for public comment as proposed in these agenda materials.

SUGGESTED MOTION: Move that the proposed revision as contained in these agenda materials be recommended to the Board for the Board's approval to publish in the *Texas Register* for public comment.

1 **TITLE 22** EXAMINING BOARDS
2 **PART 22** TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
3 **CHAPTER 513** REGISTRATION
4 **SUBCHAPTER B** REGISTRATION OF CPA FIRMS
5 **RULE §513.10** Firm License

6
7 (a) Except as provided for in §501.81(d) of this title (relating to Firm License
8 Requirements), a firm providing attest services or using the titles CPAs, CPA Firm,
9 Certified Public Accountants, Certified Public Accounting Firm, Auditing Firm, or a
10 variation of any of those titles shall do so only through a licensed firm.

11 (b) To be eligible for a firm license, the firm must show:

12 (1) that a majority of the ownership of the firm, in terms of both financial interests and
13 voting rights, belongs to individuals who hold certificates issued under this chapter or
14 are licensed as a CPA in another state; ~~or~~ ~~and~~

15 **(2) that when the firm ownership includes professional organizations, as defined**
16 **in §301.003(7) of the Texas Business Organizations Code, the professional**
17 **organizations must be owned by individuals that hold a certificate issued under**
18 **this chapter or are licensed in another state; and**

19 **(3) (2)** that all attest services performed in this state are under the supervision of an
20 individual who holds a certificate issued by the board or by another state.

21 (c) Financial interests shall include but shall not be limited to stock shares, capital
22 accounts, capital contributions, and equity interests of any kind. Financial interests also
23 include contractual rights and obligations similar to those of partners, shareholders or
24 other owners of an equity interest in a legal entity.

25 (d) Voting rights shall include but shall not be limited to any right to vote on the firm's
26 ownership, business, partners, shareholders, management, profits, losses and/or equity
27 ownership.

28 (e) Interpretive comment: A licensee offering services as defined in §901.005 of the Act
29 (relating to Findings; Public Policy; Purpose) through an unlicensed firm in accordance
30 with §501.81(d) of this title may not use the CPA designation in the unlicensed firm's
31 name. For example: John Smith may not use the firm name "John Smith, CPA" unless
32 the firm is licensed by the board.

- 1 (f) Interpretive comment: §901.351(a) of the Act (relating to Firm License Required),
2 §501.81(a) of this title and subsection (a) of this section require a firm license in order to
3 use the title CPA except as provided for in §501.81(d) of this title.
- 4 **(g) Interpretive comment: A professional organization includes a professional**
5 **corporation or professional limited liability company.**

1 **TITLE 22** EXAMINING BOARDS
2 **PART 22** TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
3 **CHAPTER 513** REGISTRATION
4 **SUBCHAPTER B** REGISTRATION OF CPA FIRMS
5 **RULE §513.11** Qualifications for Non-CPA Owners of Firm License Holders
6

7 (a) A firm which includes non-CPA owners may not qualify for a firm license unless
8 every non-CPA individual who is an owner of the firm:

9 ~~(1) is an individual;~~

10 (1) ~~(2)~~ is actively providing personal services in the nature of management of some
11 portion of the firm's business interests or performing services for clients of the firm or an
12 affiliated entity;

13 (2) ~~(3)~~ is of good moral character as demonstrated by a lack of history of dishonest or
14 felonious acts; and

15 (3) ~~(4)~~ is not a suspended or revoked licensee or certificate holder excluding those
16 licensees that have been administratively suspended or revoked. (Administratively
17 suspended or revoked are those actions against a licensee for Continuing Professional
18 Education reporting deficiencies or failure to renew a license.)

19 (b) Each of the non-CPA individual owners who are residents of the State of Texas
20 must also:

21 (1) pass an examination on the rules of professional conduct as determined by board
22 rule;

23 (2) comply with the rules of professional conduct;

24 (3) maintain professional continuing education applicable to license holders including
25 the Board approved ethics course as required by board rule;

26 (4) hold a baccalaureate or graduate degree conferred by a college or university within
27 the meaning of §511.52 of this title (relating to Recognized Institutions of Higher
28 Education Colleges and Universities) or equivalent education as determined by the
29 board; and

30 (5) maintain any professional designation held by the individual in good standing with
31 the appropriate organization or regulatory body that is identified or used in an
32 advertisement, letterhead, business card, or other firm-related communication.

33 (c) A "Non-CPA Owner" includes any individual or qualified corporation who has any
34 financial interest in the firm or any voting rights in the firm.

Agenda Item IV
Rules Committee Agenda

January 13, 2016

1:30 p.m.

- B. Discussion, consideration, and possible action on a proposed revision to Board *Rule 523.131(b)(3) (Board Approval of Ethics Course Content)* to require ethics course providers to have in their presentation and materials information on the services available to licensees from the Accountants Confidential Assistance Network (ACAN).

DISCUSSION: The Peer Assistance Committee believes that it would be helpful to increase the exposure of the services available to CPAs and CPA applicants from ACAN and, borrowing from the State Bar of Texas, recommends that CPE courses devote time to the ACAN services during its presentation on the Board's Rules of Professional Conduct.

RECOMMENDATION: Staff recommends that the Committee recommend to the Board the following proposed revision to Board *Rule 523.131* to require CPE programs to include information on services available from ACAN.

SUGGESTED MOTION: Move that the Board authorize the Executive Director to publish the proposed revision to Board *Rule 523.131* in the *Texas Register* for public comment.

1 TITLE 22
2 PART 22
3 CHAPTER 523
4 SUBCHAPTER C
5 RULE §523.131

EXAMINING BOARDS
TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
CONTINUING PROFESSIONAL EDUCATION
ETHICS RULES: INDIVIDUALS AND SPONSORS
Board Approval of Ethics Course Content

6
7 (a) The content of an ethics course designed to satisfy the four hour ethics CPE
8 requirements of §523.130 of this chapter (relating to Ethics Course Requirements) must
9 be submitted to the CPE committee of the board for initial approval and upon request
10 thereafter. The primary objectives of the ethics course shall be to:

- 11 (1) encourage the licensee to become educated in the ethics of the profession;
12 (2) convey the intent of the board's Rules of Professional Conduct in the licensee's
13 performance of professional accounting services, and not mere technical compliance;
14 (3) apply ethical judgment in interpreting the rules and provide for a clear
15 understanding of the public interest. The public interest shall be placed ahead of self-
16 interest, even if it means a loss of job or client;
17 (4) emphasize the ethical standards of the profession, as described in this section; and
18 (5) review and discuss the board's Rules of Professional Conduct and their
19 implications for persons in a variety of practices, including at least one example from
20 subparagraph (A) of this paragraph and at least one example from either subparagraph
21 (B) or (C) of this paragraph:

22 (A) a licensee engaged in the client practice of public accountancy who performs
23 attest and non-attest services, as defined in §501.52 of this title (relating to Definitions);
24 and

25 (B) a licensee employed in industry who provides internal accounting and auditing
26 services; or

27 (C) a licensee employed in education or in government accounting or auditing.

28 (b) To meet the objectives of subsection (a) of this section, a course must be four hours
29 in length and its components should be approximately:

- 30 (1) 25% on ethical principles and values;
31 (2) 25% on ethical reasoning and dilemmas;
32 (3) 15% on the board's Rules of Professional Conduct with special focus on recent
33 changes in those rules and including information on the peer assistance available
34 to Texas CPAs, CPA candidates and accounting students with alcohol, substance
35 abuse, depression, stress or other mental health issues through the Accountants
36 Confidential Assistance Network (ACAN); and

1 (4) 35% on case studies that require application of ethical principles, values, and
2 ethical reasoning within the context of the board's Rules of Professional Conduct.

3 (c) Course content shall be approved only after demonstrating, either in a live instructor
4 format, a blended program format, or interactive (computer based) format, as defined in
5 §523.102(c)(1) of this chapter (relating to CPE Purpose and Definitions), that the course
6 contains the underlying intent established in the following criteria:

7 (1) the course shall be designed to teach CPAs to achieve and maintain the highest
8 standards of ethical conduct through ethical reasoning and the core values of the
9 profession: integrity, objectivity, and independence, as ethical principles in addition to
10 rules of conduct;

11 (2) the course shall address ethical considerations and the application of the board's
12 Rules of Professional Conduct to all aspects of the professional accounting work
13 whether performed by CPAs in client practice or CPAs who are not in client practice;
14 and

15 (3) the course shall convey the spirit and intent of the board's Rules of Professional
16 Conduct in the licensee's performance of accounting services, and not mere technical
17 compliance.

18 (d) Ethics courses must be taught in one single four-hour session, including one 10-
19 minute break each hour or its equivalent.

20 (e) Ethics courses may be reevaluated every three years or as required by the CPE
21 committee. Updated versions of the course and any other course materials, such as
22 course evaluations, shall be provided when requested by the committee for the course
23 to be continued as an approved course.

24 (f) At the conclusion of each course, the sponsor shall administer a test to determine
25 whether the program participants have obtained a basic understanding of the course
26 content, including the need for a high level of ethical standards in the accounting
27 profession.

28 (g) A sponsor of an ethics course approved by the board pursuant to this section shall
29 comply with the board's rules concerning sponsors of CPE and shall provide its
30 advertising materials to the board's CPE committee for approval. Such advertisements
31 shall:

32 (1) avoid commercial exploitation;

33 (2) identify the primary focus of the course; and

34 (3) be professionally presented and consistent with the intent of §501.82 of this title
35 (relating to Advertising).

Agenda Item IV
Rules Committee Agenda

January 13, 2016

1:30 p.m.

- C. Discussion, consideration and possible action on proposed revisions to the AICPA/NASBA Model Uniform Accountancy Act and Model Rules to create a "Retired" status for Certified Public Accountants.

DISCUSSION: The AICPA/NASBA committees have jointly circulated an Exposure Draft which proposes changes to the Model Uniform Accountancy Act and Rules that would create a Retired-CPA status for CPAs. The Model Act and Rules currently recognize an inactive status but not a retired status. The AICPA/NASBA committees believe that it would be helpful to establish greater uniformity among the states that have a Retired-CPA status in order to promote consistency in regulation. The committees also believe that the Retired-CPA status would allow the public to take advantage of the skills that retired CPAs have to offer to non-profit organizations as uncompensated volunteers.

The proposed revisions would establish a retirement age of 55. This agency's current rules establish the eligibility for retirement as 60 years of age. The proposed rules would permit a retired CPA to offer uncompensated services to non-profit organizations. The Board's rules allow a retiree to provide uncompensated services to civic and charitable organizations.

The following chart provides some issues the committee may wish to consider in its review of the Exposure Draft.

This discussion item has been provided for the committee's information and in the event it wishes to provide a letter commenting on the Exposure Draft.

RECOMMENDATION: None

SUGGESTED MOTION: None

EXPOSURE DRAFT

PROPOSED REVISIONS TO

AICPA/NASBA UNIFORM ACCOUNTANCY ACT and NASBA UNIFORM ACCOUNTANCY ACT RULES

SECTION 6(d) and Rule 6-7

November 2015

2014 – 2015 AICPA UAA Committee

Gary McIntosh, CPA – Chair
Gregory Burke, CPA
Leroy Dennis, CPA
Steven Geisenberger, CPA
Nancy Juron, CPA
Debbie Lambert, CPA
Robert Mancini
Thomas Neill, CPA
Stephanie Peters
Tammy Velasquez

2014 – 2015 NASBA UAA Committee

J. Coalter Baker, CPA - Chair
Barton W. Baldwin, CPA
David L. Dennis, CPA
Lori J. Druse, CPA
Andrew L. DuBoff, CPA
Karen Garrett, CPA
Kenneth R. Odom, CPA
John E. Patterson, Esq.
Donovan W. Rulien, CPA
Dan Sweetwood

Please submit comments by February 2, 2016 to:

Mat Young, Vice President – State Regulatory & Legislative Affairs –
RetiredExposureDraft@aicpa.org

and

Louise Dratler Haberman, Vice President, Information & Research –
lhaberman@nasba.org

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Text of Proposed Rules Revisions	Page 7

OVERVIEW

In September and October, the AICPA Board of Directors and the NASBA Board of Directors each approved for exposure the accompanying changes to the Uniform Accountancy Act and the Model Rules that would provide for the creation of a Retired-CPA status. Comments on this proposal are requested by February 2, 2016.

BACKGROUND

The AICPA and NASBA have worked together since 1984 to produce the Uniform Accountancy Act (UAA) and UAA Model Rules to serve as reference documents for all U.S. states and jurisdictions as they update their own statutes. They are evergreen documents that are regularly reviewed and updated by the joint AICPA/NASBA Committee, subject to the final approval of the two organizations' board of directors.

For several years, there has been a discussion as to whether or not there should be a Retired-CPA status in the UAA. Currently, there is an Inactive-CPA status, which simply indicates that a CPA has chosen not to maintain the requisite amount of continuing professional education and can no longer hold out as a CPA while his or her CPE is not current. State Boards have come to NASBA to request guidance on how to recognize both inactive and retired CPAs. With no uniform approach, a majority of states have adopted their own retired status in their statutes and/or rules. These variations in state policies have led to inconsistencies in expectations and treatment of this class of CPAs.

Coupled with these national differences in policy, demographic changes – in particular the wave of Baby Boomers retiring or preparing to retire – are further driving the debate about the need for a Retired-CPA status. Indeed, the AICPA estimates that approximately 75% of its members will be eligible to retire by 2020. Many of these retirees are well-respected business leaders in their communities who would like to find ways to continue to be of service, without necessarily remaining an active CPA in practice.

The UAA Committee has debated and reviewed this matter and is recommending the creation of a uniform Retired-CPA status. Furthermore, it would like to allow those Retired-CPAs to offer a limited array of volunteer, uncompensated services to the public.

THE PROPOSAL

The UAA Committee is recommending that Inactive CPAs, at least age 55, be allowed to:

- Refer to themselves as “Retired-CPA” with appropriate registration with their State Board
- Offer volunteer tax preparation services if competent
- Participate in government-sponsored business mentoring programs if competent
- Serve on the board of a non-profit organization if competent.

All of these activities would be uncompensated and are activities that can currently be offered by non-CPAs. Examples of these volunteer programs include the IRS's Volunteer Income Tax Assistance (VITA) program and the Small Business Administration's SCORE business mentoring program. Under no circumstances could the Retired-CPA provide services that require signature and use of the CPA title.

Furthermore, Retired-CPAs would be required to affirm to State Boards of Accountancy that they: (1) understand the scope of limitations on what services they offer, (2) agree not to use their retired status in any way which could be misleading, and (3) maintain professional competency, without a specific CPE requirement, when offering any of the permitted volunteer services.

TEXT OF PROPOSED STATUTE REVISIONS

Note: The material set out below is the proposed statutory text and commentary of the relevant UAA provisions. The proposed language to be added is underlined.

Section 6(d):

(d) For renewal of a certificate under this Section each licensee shall participate in a program of learning designed to maintain professional competency. Such program of learning must comply with rules adopted by the Board. The Board may by rule create an exception to this requirement for certificate holders who do not perform or offer to perform for the public one or more kinds of services involving the use of accounting or auditing skills, including issuance of reports on financial statements or of one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters. Licensees granted such an exception by the Board must place the word "inactive" adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears. In addition, inactive CPAs, at least 55 years of age, may, in lieu of "inactive", place the word "retired" adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears. Nothing in this section shall preclude an inactive CPA, at least 55 years of age, from providing the following volunteer, uncompensated services; tax preparation services, participating in a government-sponsored business mentoring program, or serving on the board of directors for a non-profit organization. Licensees may only convert to inactive status if they hold a license in good standing .

COMMENT: A licensee is deemed competent to serve the public when he or she initially meets the requirements for licensure. However, a dynamic professional environment requires a licensee to continuously maintain and enhance his or her knowledge, skills and abilities. The board of accountancy may specify any reasonable approach to meeting this requirement using as a guideline the Statement on Standards for Continuing Professional Education (CPE) Programs jointly approved by the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA). Furthermore, this section acknowledges that CPAs may, for a number of different reasons, place their license in inactive status and not continue with CPE requirements. In order to protect the public,

these CPAs should not use their "inactive CPA" status to continue to perform or offer to perform professional services. However, for CPAs who go inactive because they are at the end of their careers, this provision offers an exception to ensure that they can continue to offer a limited number of volunteer, uncompensated services to the public (such as participation in the Internal Revenue Service's Volunteer Income Tax Assistance (VITA) program and the Small Business Administration's SCORE program). These services are narrow in scope, may be offered by non-CPAs, and the provision acknowledges that these CPAs still have much to contribute to their communities during retirement. In order to protect the public the board of accountancy may consider requiring these CPAs to affirm their understanding of the limited types of activities in which they may engage while in inactive CPA status and their understanding that they have a professional duty to ensure that they hold the professional competencies necessary to offer these limited services.

TEXT OF PROPOSED RULES REVISIONS BY ARTICLE

Note: The material set out below is the proposed rules text and commentary of the relevant UAA provisions. The proposed language to be added is underlined, and proposed deleted language is stricken-through.

Rule 6-7 – Exceptions.

- (a) The Board may make an exception to the requirement set out in Rule 6-4(a) for a licensee who is inactive or who does not perform or offer to perform for the public one of more kinds of services involving the use of accounting or auditing skills, including the issuance of reports on financial statements or other compilation communication, or of one or more kinds of management advisory, financial advisory or consulting services, or the preparation of tax returns or the furnishing of advice on tax matters.

- (b) The Board may in particular cases make exceptions to the requirements set out in Rule 6-4(a) for reasons of individual hardship including health, military service, foreign residence, or other good cause. At the time the exception is granted and for as long as the license remains in “inactive” or “retired” status, the license, and any other license issued by another state, must be in good standing and not be revoked, suspended, refused renewal, subject to revoked or limited privileges under Section 23, or under any other sanction. Nothing herein shall be construed to limit the Board’s disciplinary authority with regards to a license in “inactive” or “retired” status.

- (c) Licensees granted such an exception by the Board must place the word “inactive” adjacent to their CPA title or PA title on any business card, letterhead or any other document or device, with the exception of their CPA certificate or PA registration, on which their CPA or PA title appears. Licensees granted the exception who are at least fifty-five (55) years of age may replace “inactive” with “retired.” Any of these terms must not be applied in such a manner that could likely confuse the public as to the current status of the licensee.

- (d) Licensees granted the use of “inactive” or “retired” must affirm in writing their understanding of the limitations placed on them by being given an exception from CPE.**
- (e) Licensees granted the use of “inactive” or “retired” may provide volunteer, uncompensated services to their community, to the extent provided in statute, unless such involvement could likely mislead the public as to the ongoing competence or status of such licensee. Licensees providing such volunteer, uncompensated services still have the responsibility to maintain professional competence relative to the volunteer services they provide even though excepted from the specific CPE requirements of Rule 6-4(a).**
- (f) Licensees granted the use of “inactive” or “retired” may not sign documents using CPA with any of these terms attached when rendering one of the services allowed under UAA§6(d) [volunteer, uncompensated services to the public or serving on the board of directors for a non-profit organization]. As UAA§6(d) provides, an inactive or retired licensee cannot offer or render professional services that require their signature and use of the CPA title either with or without “inactive” or “retired” attached.**
- (g) Licensees granted an exception by the Board must comply with a re-entry competency requirement defined by the Board as set out in Rule 6-4(c) before they may discontinue use of the word “inactive” in association with their CPA or PA title.**

Issues to consider related to new UAA retired status:

- 1) Revise 515.8 to replicate UAA standard
 - a. Add a secondary retired status using TSBPA renewal fee discount
 - b. Include a provision for a CPE/ethics refresher for this retired status
- 2) Revise 515.8 to include UAA as a non-discounted retirement option at 55. Retain 60 year age for discounted retired status.
- 3) Revise 515.8 to include UAA as a non-discounted retirement option at 55. Increase age to 65 for discounted retired status.
- 4) Revise 515.8 to include UAA as a non-discounted retirement option at 55. Increase age to 65 for discounted retired status. Include an emeritus retired status at 80 years old to include no fee.

RETIRED Options	Age Eligible	CPE/Ethics Required	Associated w/ Accounting	Renewal Fees	Alter. Fees	Notes
Issued (Current)	N/A	120hrs/4hrs ethics	Yes	\$56	\$56	
UAA Retired (proposed)	55+	None	No Volunteer – OK for non-profit organization	\$56	\$56	1) Consider some refresher CPE due periodically 2) Define nonprofit – civic/charity 3) Should there be a fee reduction? 4) TSBPA Rule revision required
TSBPA Retired (current)	60+	None	No Volunteer – OK (for civic / charity)	\$15	\$15	1) Rule revision needed with next review 2) Standardize compensation rule with practice 3) If adopting new UAA, consider eliminating 60 year
TSBPA Retired (consider)	65+	None	No Volunteer - OK	\$15	\$15	1) Rule revision needed with next review 2) Standardize compensation standard/practice
Surrender	N/A	None	N/A	\$0	\$0	

- 1 **Sec. 901.409. FEE REDUCTION FOR RETIRED OR DISABLED PERSONS.** The
- 2 board by rule may establish a reduced fee to issue or renew the license of a person who
- 3 does not engage in the practice of public accountancy because of retirement or
- 4 permanent disability.

1 **TITLE 22**
2 **PART 22**
3 **CHAPTER 515**
4 **RULE §515.8**

EXAMINING BOARDS
TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
LICENSES
Retired or Disability Status

6 (a) Retired status. A licensee who is at least 60 years old and has filed a request on a
7 form prescribed by the board stating that he has no association with accounting work for
8 compensation may be granted retired status at the time of license renewal. An individual
9 who has been granted retired status and who reenters the workforce in a position that
10 has an association with accounting work for which he receives compensation
11 automatically loses the retired status. A CPA who serves on a Board of Directors, Board
12 of Trustees, or in a similar governance position is not eligible for retired status unless
13 the service is provided without compensation and for a charity, civic, or similar non-profit
14 organization. Upon reentry into the workforce under such conditions, the individual must
15 notify the board and request a new license renewal notice and:

16 (1) pay the license fee established by the board for the period since he became
17 employed;

18 (2) complete a new license renewal notice; and

19 (3) meet the CPE requirements for the period since he was granted the retired status
20 as required by §523.113(1)(B)(ii) of this title (relating to Exemptions from CPE).

21 (b) Disability status. Disability status may be granted to an individual who submits to the
22 board a statement and a notarized affidavit from the licensee's physician which
23 identifies the disability and states that the individual is unable to work because of a
24 severe ongoing physical or mental impairment or medical condition that is not likely to
25 improve within the next 12 consecutive months. This status may be granted only at the
26 time of license renewal.

27 (1) Disability status is immediately revoked upon:

28 (A) the CPA reentering the workforce in a position that has an association with
29 accounting work for which he receives compensation; or

30 (B) the CPA serving on a Board of Directors, Board of Trustees, or in a similar
31 governance position unless the service is for a charity, civic, or similar non-profit
32 organization.

33 (2) Upon reentry into the workforce under such conditions, the individual must notify
34 the board and request a new license renewal notice and:

1 (A) pay the license fee established by the board for the period since he became
2 employed;

3 (B) complete a new license renewal notice; and

4 (C) meet the CPE requirements for the period pursuant to §523.113(1)(B)(ii) of this
5 title.

6 (c) For purposes of this section the term "association with accounting work" shall
7 include the following:

8 (1) working, supervising or providing oversight of accounting work performed in the
9 areas of financial accounting and reporting; tax compliance, planning or advice;
10 management advisory services; accounting information systems; treasury, finance, or
11 audit; or

12 (2) representing to the public, including an employer, that the individual is a CPA or
13 public accountant in connection with the sale of any services or products involving
14 accounting work, including such designation on a business card, letterhead, proxy
15 statement, promotional brochure, advertisement, or office; or

16 (3) offering testimony in a court of law purporting to have expertise in accounting and
17 reporting, auditing, tax, or management services; or

18 (4) for purposes of making a determination as to whether the individual fits one of the
19 categories listed in subsection (a) or (b) of this section the questions shall be resolved in
20 favor of including the work as an "association with accounting work."

21 (d) All board rules and all provisions of the Act apply to an individual in retired or
22 disability status.

Agenda Item IV
Rules Committee Agenda
January 13, 2016
1:30 p.m.

- D. Discussion, consideration and possible action to initiate a review of this agency's rules pursuant to Section 2001.039 of the Texas Government Code.

DISCUSSION: All state agencies are required to review and consider for re-adoption each of its rules every four years. We are required to re-adopt, re-adopt with amendments or repeal each of our rules. A state agency's review of a rule must include an assessment of whether the reasons for initially adopting the rule continue to exist.

The legislature's primary goal in Rule Review is to assure that agencies eliminate rules that are no longer necessary. Rule review does not require revisions but only an examination to determine if revisions are needed. The last rule review the Board undertook was exhaustive, but hopefully addressed most of the areas where rule clarity would be helpful.

RECOMMENDATION: Staff recommends that the committee recommend to the Board that it authorize the staff to notice in the *Texas Register* the initiation of Rule Review pursuant to §2001.039 of the Texas Government Code.

SUGGESTED MOTION: Move that the committee recommend that the Board authorize the Executive Director to have published in the *Texas Register* notice of the initiation of Rule Review pursuant to §2001.039 of the Texas Government Code.

Agenda Item IV
Rules Committee Agenda
January 13, 2016
1:30 p.m.

E. Schedule next meeting.

V

Agenda Item V

Behavioral Enforcement Committee Meeting Agenda

January 6, 2016

The following items will be considered by the BEC committee at its January 6, 2016 meeting and may be brought to the Board for its consideration.

A. DISCUSSION ITEMS

1. Investigation Nos. 15-09-09L & 15-09-10L
2. Investigation Nos. 15-10-08L & 15-10-09L
3. Investigation Nos. 15-10-17L & 15-10-18L
4. Investigation Nos. 15-09-05L & 15-09-06L
5. Investigation Nos. 15-10-01L & 15-10-02L
6. Investigation Nos. 14-12-03L, 14-12-04L, & 14-12-05L
7. Investigation Nos. 15-04-04L & 15-04-05L
8. Investigation Nos. 15-09-11L & 15-09-12L
9. Investigation Nos. 15-09-03L & 15-09-04L

B. CASES PENDING

C. SCHEDULE NEXT MEETING

VI

Agenda Item VI

Technical Standards Review Committee Minutes

December 8, 2015

The Technical Standards Review Committee met on December 8, 2015, beginning at 11 a.m.

Members Present

Rocky L. Duckworth, CPA,
Committee Chair
J. Coalter Baker, CPA
Ross Johnson, CPA
David L. King, CPA
Michael McConnell, CPA
Steve D. Peña, CPA
W. David Rook, CPA
Kimberly Wilkerson, Esq.

Staff Present

J. Randel (Jerry) Hill, Esq.
Virginia Moher, Esq., CPA

A. AFTER GIVING THIS MATTER CAREFUL CONSIDERATION, THE COMMITTEE RECOMMENDS IT BE DISMISSED BASED ON A LACK OF EVIDENCE OF A VIOLATION OF THE ACT AND THE BOARD'S RULES:

- Investigation Nos. 15-01-28L & 15-01-29L: The Respondents allegedly issued a flawed report as to the financial condition of a private company. **(Board approval required)**

B. OTHER: The Committee considered eight other matters during its meeting; however, these matters do not require Board action at this time.

C. NEXT MEETING: The next meeting date is February 9, 2016.

VII

**AGENDA ITEM VII
PROBATION REPORT
JANUARY 14, 2016
STATUS DOCKET**

BOARD REPORTING PERIOD OCTOBER 23, 2015, THROUGH DECEMBER 18, 2015

	PROBATION	LIMITED SCOPE
OPEN CASES AT START:	11	49
NEW CASES OPENED:	0	0
CASES CLOSED:	1	0
OPEN CASES AT END:	10	49

A. PROBATION STATUS

At present, the Enforcement Division is monitoring:

1. Probation Files: 10
2. Limited Scope Files: 49

B. LIMITED SCOPE

Certificate holders with limited scope status are subject to practice limitations, are required to perform affirmative acts, or both.

1. Certificate holders placed on limited scope during this reporting period: 0
2. Certificate holders released from limited scope during this reporting period: 0

C. PROBATION

1. Certificate holders placed on probation during this reporting period: 0
2. Certificate holders released from probation during this reporting period: 1

- **Respondent:** Owens, Kenneth Dale
Hometown: Austin, Texas
Certificate No.: 049534
Investigation No.: 02-03-20L
Order Date: March 22, 2012

Respondent pled guilty to violating Title 18 USC § 4 regarding misprision of a felony. The respondent was placed on criminal probation for five years.

On September 26, 2002, Respondent entered into an Agreed Consent Order (ACO) with the Board whereby the Respondent's certificate was revoked in lieu of further disciplinary proceedings.

On March 22, 2012, Respondent entered into ACO with the Board whereby the Board ordered a new certificate number 049534 be issued to Petitioner upon receipt of proof from Petitioner that he had completed 60 hours of continuing professional education (CPE) no later than June 25, 2012. At least 30 hours of this CPE was to be in accounting or auditing and at least 16 hours was to be in partnership tax.

For a period of three years from the date his certificate was reinstated, Petitioner was placed on probated revocation under the following conditions: Petitioner must have completed at least 120 hours of CPE by the end of the term of his probation, and a minimum of 20 hours in each one-year period. At least 60 hours of this CPE was to be in accounting or auditing and at least 16 hours must have been in partnership tax.

Petitioner was granted a two month probation extension to allow him to submit the required CPE for ACO compliance. On November 28, 2015, Petitioner completed and submitted the required CPE. Petitioner was removed from the Board's probated revocation monitoring system.

VIII

Agenda Item VIII

Unauthorized Practice of Public Accountancy

January 14, 2015

Status Docket

BOARD REPORTING PERIOD October 24, 2015 THROUGH December 18, 2015

OPEN FILES AT START	205
NEW FILES OPENED	81
TOTAL UPPA FILES	286
UPPA FILES CLOSED	65
OPEN FILES AT END	221

UPPA CLOSED FILES:

VOLUNTARY COMPLIANCE	65
AGREED CEASE AND DESIST ORDERS	0
CEASE AND DESIST ORDERS	0
FILES REFERRED TO BEHAVIORAL ENFORCEMENT COMMITTEE	0
OTHER	0
TOTAL	65

RATIFIED BY BOARD - November	1
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Agenda Item IX

Consideration of Agreed Consent Orders, Proposals for Decision, and a Proposed Default Judgment Board Order

January 14, 2016

A. AGREED CONSENT ORDERS

Behavioral Enforcement Committee

1. Investigation No. 15-11-01L
2. Investigation Nos. 15-01-18L & 15-01-19L
3. Investigation Nos. 15-02-08L, 15-02-09L,
15-05-09L & 15-05-10L
4. Robert McLean & Robert McLean (Firm)
5. Investigation No. 15-05-05L
6. Investigation No. 15-06-03L

Technical Standards Review Committee

1. Investigation Nos. 15-07-01L & 15-07-02L
2. Investigation Nos. 15-06-06L & 15-06-07L

B. MASS HEARINGS

1. Investigation Nos. 15-08-10001 - 15-08-10031
2. Investigation Nos. 15-09-10001 - 15-09-10035
3. Investigation Nos. 15-08-10032 - 15-08-10192
4. Investigation Nos. 15-09-10036 - 15-09-10198
5. Investigation Nos. 15-08-10193 - 15-08-10203
6. Investigation Nos. 15-09-10199 - 15-09-10216

C. PROPOSED DEFAULT JUDGMENT BOARD ORDER

- Jacqueline R. Morrison

B. MASS HEARINGS

1. Respondents: In The Matter of Disciplinary Action Against Certain Licensees for Nonpayment of Licensing and Late Fees for Three Consecutive License Periods

The Respondents failed to pay their licensing fees for three consecutive license periods. Following the scheduled public hearing, an Administrative Law Judge (ALJ) of the State Office of Administrative Hearings (SOAH) recommended that the certificate of each Respondent still not in compliance be revoked without prejudice. Each Respondent may regain his or her certificate by paying all license fees and late fees and by otherwise coming into compliance with the *Act*. The ALJ found that the respondents violated *Act Section 901.502(4) (failure to pay license fees for three consecutive years)*. The Respondents, although properly notified, failed to appear and were not represented at the hearing.

No Board committee considered these actions.

<u>Docket</u>	<u>Investigation Numbers</u>	<u>Hearing Date</u>
1. 457-15-4621	15-08-10001 - 15-08-10031	September 29, 2015
2. 457-15-5117	15-09-10001 - 15-09-10035	October 27, 2015

2. Respondents: In The Matter of Disciplinary Action Against Certain License Holders for CPE Delinquencies

The Respondents failed to comply with CPE reporting requirements found in Chapter 523 of the *Rules* and *Act Section 901.411 (Continuing Professional Education)*. Following the scheduled public hearing, a SOAH ALJ recommended that the license of each Respondent still not in compliance be suspended for a period of three years, or until he or she complies with the licensing requirements of the *Act*, whichever is sooner. Additionally, the ALJ recommended a \$100 penalty be imposed for each year a Respondent is not in compliance with the Board's CPE requirements. The ALJ found that the Respondents violated Board *Rules 501.94 (Mandatory CPE)* and *523.111 (Required CPE Reporting)*, and *Act Section 901.411*. The Respondents, although properly notified, failed to appear and were not represented at the hearing.

No Board committee considered these actions.

<u>Docket</u>	<u>Investigation Numbers</u>	<u>Hearing Date</u>
3. 457-15-4622	15-08-10032 - 15-08-10192	September 29, 2015
4. 457-15-5118	15-09-10036 - 15-09-10198	October 27, 2015

3. Respondents: In The Matter of Disciplinary Action Against Certain Certificate Holders for Failure to Complete License Notice

The Respondents failed to complete their license renewal notices in accordance with Board *Rule 515.3 (License Renewals for Individuals and Firm Offices)*. Following the scheduled public hearing, a SOAH ALJ recommended that the certificate of each Respondent not in compliance be revoked without prejudice until such time as the Respondent complies with the requirements of the *Rules* and the *Act*. The ALJ found that the Respondents violated *Act Section 901.502(12) (Violations of Board Rules)*. Although properly notified, the Respondents failed to appear in person or by authorized representative.

No Board committee considered these actions.

<u>Docket</u>	<u>Investigation Numbers</u>	<u>Hearing Date</u>
5. 457-15-4623	15-08-10193 - 15-08-10203	September 29, 2015
6. 457-15-5119	15-09-10199 - 15-09-10216	October 27, 2015

C. PROPOSED DEFAULT JUDGMENT BOARD ORDER

- Investigation No.:** 15-03-35L
SOAH Docket No.: 457-16-0460
Respondent: Jacqueline R. Morrison
Certificate No.: 064187
Hometown: Cedar Hill, Texas

On April 8, 2015, staff initiated a complaint against Respondent based upon Respondent's felony conviction of one count of conspiracy to aid and assist in the preparation and presentation of false and fraudulent tax returns, 13 counts of aiding and assisting in the preparation and presentation of false and fraudulent tax returns, three counts of wire fraud resulting in Respondent being sentenced to 187 months in prison and ordered to pay over \$17 million dollars in restitution. Staff offered Respondent an ACO ordering her certificate be revoked, in lieu of further disciplinary action. Respondent did not respond to the ACO offer.

Pleadings were filed with the State Office of Administrative Hearings and after notice of hearing, Respondent failed to appear. The State Office of Administrative Hearings Administrative Law Judge (ALJ) granted staff's Motion for Default and dismissal from the SOAH docket. Staff asks the Board for a default Order finding that: 1) Respondent violated Board *Rules 501.90(4)* and *501.90(5)*, as well as *Sections 901.502(6)*, *901.502(10)*, and *901.502(11)* of the *Act*; 2) Respondent's individual certificate be revoked; and, 3) Respondent be assessed \$25,000 in administrative penalties.

The ALJ's Order follows.

No committee considered this matter.

Paulette Beiter, Staff Attorney

SOAH DOCKET NO. 457-16-0460

TEXAS STATE BOARD OF PUBLIC	§	BEFORE THE STATE OFFICE
ACCOUNTANCY,	§	
Petitioner,	§	
	§	OF
v.	§	
	§	
JACQUELINE R. MORRISON,	§	ADMINISTRATIVE HEARINGS
Respondent.	§	

ORDER NO. 2
DISMISSING DOCKET

On December 15, 2015, the hearing on the merits in this matter convened. Despite having been given proper notice, Jacqueline R. Morrison (Respondent) failed to appear. The Texas State Board of Public Accountancy (Board) moved for dismissal and requested that the matter returned to the Board for administrative processing. It appears to the Administrative Law Judge that the motion has merit and should be **GRANTED**. Accordingly, this matter is **DISMISSED** from the docket of the State Office of Administrative Hearings and is returned to the Board for administrative processing.

ISSUED December 15, 2015.



 STEVEN D. ARNOLD
 ADMINISTRATIVE LAW JUDGE
 STATE OFFICE OF ADMINISTRATIVE HEARINGS

X

Agenda Item X

Review of Future Meetings/Hearing Schedules

January 14, 2016

- I. **DISCUSSION:** Schedules of dates for 2016 Board and committee meetings, hearings, and other activities are attached for your information.
- II. **RECOMMENDATION:** None by staff.
- III. **SUGGESTED MOTION:** None by staff.

2016 Meetings

EVENT	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Board Meeting	14 10:00		24 10:00		12 10:00		14 10:00		22 10:00		17 10:00	
Swearing-in Ceremony						18 ¹ 10:00						3 ¹ 10:00
NASBA Meetings			15-17 E.D. & Legal Conf.			22-24 Western Regional Mtg.				30 Annual Mtg.	2 Annual Mtg.	
TSCPA Meetings	29-30 Mid-yr. Conf.						1-2 Annual Mtg.					
Staff Holidays	1 18 19 ²	15	2 ²	21 ²	30		4		5		11 24-25	26
Behavioral Enforcement	6 9:00											
CPE		17 9:30										
CEC												
Executive	13 2:30											
Licensing												
Qualifications												
New Member Orientation												
Peer Assistance												
Peer Review		9 1:00										
Rules	13 1:30											
TSR		9 10:00										

¹Swearing-in ceremony is scheduled for June 18, 2016 and December 3, 2016, in Austin, Texas, at the Palmer Events Center.

²Skeleton crew holiday

Agenda Item XI

Adjournment

January 14, 2016

- I. **DISCUSSION:** The presiding officer will entertain a motion to adjourn.
- II. **RECOMMENDATION:** None required.
- III. **SUGGESTED MOTION:** None required.