Texas State Board of Public Accountancy

Board Meeting Agenda

March 24, 2016

I. Call to order and roll call – 10:00 a.m., March 24, 2016

II. Approval of the January 14, 2016 Board meeting minutes

III. Consideration of report and recommendations of the Executive Committee

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

B. Review and possible action on the Board's Affirmative Action Plan

C. Review of NASBA/AICPA matters:

1. 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

2. Nomination of Janice L. Gray, CPA for NASBA's Vice-Chair

D. Review of general correspondence

E. Consideration of professional contract amendment

IV. Consideration of report and recommendation of the Rules Committee

A. Discussion concerning the Board's Notice of Intention to enter into Rule Review as posted in the *Texas Register*

B. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 527 – Peer Review*, of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*

C. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 502 – Peer Assistance*, of the Boards *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*

D. Discussion, consideration, and possible action on the AICPA's Accounting and Review Services Committee seeking comment on its proposed amendments to Statement on Statement on Standards for Accounting and Review Services No. 21

D. Schedule next meeting

V. Consideration of report and recommendation of the Continuing Professional Education Committee

A. Discussion, review, and possible action in regards to the proposed changes to the AICPA Exposure Draft (Statement on Standards for Continuing Professional Education Programs)

B. Discussion, review, and possible action in regards to CPE compliance monitoring related to Board *Rule 523.111(c) (Required CPE Reporting)*

C. Consideration of an exemption request previously denied under Board *Rule 523.113(1)(B) (Exemptions from CPE)*

D. Consideration of new ethics courses and contracts submitted for Board approval

E. Discussion and review of a currently approved ethics course and ratification of this contract

F. Discussion, consideration, and possible action on a proposed revision to the current Sponsor Review Program (SRP) CPE Sponsor Application regarding Dispute Resolutions

G. Discussion, consideration, and possible action on *Chapter 523* of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*, which requires state agencies to review its rules every four years

VI. Consideration of report and recommendation of the Peer Review Committee

A. Staff update on peer review processing

B. Discussion, consideration, and possible action on the Peer Review Oversight Board recommendation to continue with the Texas Society of CPAs as an approved peer review sponsoring organization

C. Discussion, consideration, and possible action on a proposed revision to Board *Rule 527.5 (Successive Deficient Reviews)* to allow more timely action to occur for a single failed peer review

D. Discussion, consideration, and possible action on a proposed "Letter of Comment" to a firm with a single failed peer review

E. Discussion, consideration, and possible action to review *Chapter 527 (Peer Review)* of the Board's *Rules* pursuant to *Chapter 2001.039* of the *Texas Government Code* which requires state agencies to review its rules every four years

F. Discussion of proposed changes to the AICPA Standards for Performing and Reporting on Peer Reviews – Improving Transparency and Effectiveness of Peer Review

VII. Discussion, consideration, and possible action on the report of the Behavioral Enforcement Committee

<u>Meeting – February 24, 2016</u>

A. Dismissals – Insufficient evidence:

1. Investigation Nos. 15-12-01L and 15-12-02L
2. Investigation Nos. 16-01-01L, 16-01-02L and 16-01-03L
3. Investigation Nos. 15-12-20L, 15-12-21L, and 15-12-22L
4. Investigation Nos. 15-11-03L and 15-11-04L
5. Investigation Nos. 15-12-06L and 15-12-07L
6. Investigation No. 16-02-03L
7. Investigation Nos. 15-12-03L and 15-12-05L
8. Investigation Nos. 16-01-09L and 16-01-10L

B. Other - Cases pending

C. Next meeting date – April 27, 2016

VIII. Discussion, consideration, and possible action on the report of the Technical Standards Review Committee

<u>Meeting – February 9, 2016</u>

A. Other – Status report

B. Next meeting date – April 26, 2016

IX. Report on the Enforcement Division's Probation Monitoring System

X. Report on the Unauthorized Practice of Public Accountancy Program

XI. Discussion, consideration, and possible action on Proposed Agreed Consent Orders, Proposals for Decision, and Proposed Default Judgment Board Order

A. Agreed Consent Orders

<u>Behavioral Enforcement Committee</u>

1. Investigation Nos. 15-09-09L and 15-09-10L
2. Investigation Nos. 15-09-11L and 15-09-12L
3. Investigation Nos. 15-08-03L and 15-08-04L
4. Investigation No. 15-11-05L
5. Investigation No. 15-11-14L
6. Investigation No. 15-11-02L
7. Investigation Nos. 15-03-33L

<u>Technical Standards Review Committee</u>

1. Investigation Nos.15-09-07L and 15-09-08L
2. Investigation Nos. 15-12-18L and 15-10-07L
3. Investigation Nos. 14-02-01L and 14-02-02L

B. Mass Hearings

1. Investigation Nos. 15-10-10001 – 15-10-10017
2. Investigation Nos. 15-11-10001 – 15-11-10028
3. Investigation Nos. 15-10-10018 – 15-10-10188
4. Investigation Nos. 15-11-00029 – 15-11-10179
5. Investigation Nos. 15-10-10189 – 15-10-10201
6. Investigation Nos. 15-11-10180 – 15-11-10192

C. Proposed Default Judgment Board Order

- Jacqueline R. Morrison

XII. Adoption of Board Rules

1. *Section 513.10 (Firm License)*
2. *Section 513.11 (Qualifications for Non-CPA Owners of Firm License Holders)*
3. *Section 523.131 (Board Approval of Ethics Course Content)*

XIII. Review of future meetings/hearing schedules

XIV. Adjournment

I

Agenda Item I

Call to Order and Roll Call

March 24, 2016

I. **DISCUSSION:** The meeting will be called to order, *en banc*, at 10:00 a.m., March 24, 2016 in the Board's office, at which time the roll will be called.

II. **RECOMMENDATION:** None required

III. **SUGGESTED MOTION:** None required

II

Agenda Item II

Approval of the January 14, 2016 Minutes

January 14, 2016

I. **DISCUSSION:** The enclosed minutes of the January 14, 2016 Board meeting were kept in accordance with established procedures and reflect the business conducted.

II. **RECOMMENDATION:** The staff recommends that the minutes of the January 14, 2016 Board meeting be approved as submitted/amended.

III. **SUGGESTED MOTION:** That the minutes of the January 14, 2016 Board meeting be approved as submitted/amended.

Texas State Board of Public Accountancy

January 14, 2016

The Texas State Board of Public Accountancy met from 10:00 a.m. until 11:15 a.m. on January 14, 2016, 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 9:55 a.m. on January 4, 2016. (TRD #2016-000011). **(ATTACHMENT 1)**

Board Members Present

J. Coalter Baker, CPA
Presiding Officer
John R. Broaddus, 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
Robert M. McAdams, CPA
Treasurer
Roselyn E. Morris, Ph.D., CPA
Benjamin Peña, CFE, CPA
Steve D. Peña, CPA
Secretary
Kimberly E. Wilkerson, Esq.
Phillip W. Worley

Member Absent

William Lawrence
Member-at-Large
excused

Others Present

Charles Cooley, CPA
John Hernandez
Frank McElroy, Esq.

Staff Present

Paulette Beiter, Esq.
Roel Cantu
Ismael Castillo
Karen Davis
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
Joseph Jaffe
Marissa Mahoney
Virginia Moher, Esq., CPA
Julie Prien
Marisa Rios
April Serrano
William Treacy
Dan Weaver

I. Mr. Baker, Presiding Officer, called the meeting to order at 10:00 a.m. Mr. Treacy called roll and declared a quorum. Mr. Cluck moved to excuse the absence of Mr. Lawrence from the Board meeting. Ms. Fletcher seconded the motion and it passed unanimously.

II. Mr. Cluck moved to approve the November 19, 2015 Board meeting minutes as presented. Mr. Worley seconded the motion and it passed unanimously.

III. Mr. Baker, Executive Committee Chair, reported on the January 13, 2016 committee meeting.

Members Present

J. Coalter Baker, CPA
Rocky L. Duckworth, CPA
Donna J. Hugly, CPA
Robert M. McAdams, CPA
Steve D. Peña, CPA

Member Absent

William Lawrence

Others Present

Jonathan B. Cluck, Esq.
Charles Cooley, CPA
Robert Gonzales, CPA
Monday Rufus, CPA
John Sharbaugh

Staff Present

Karen Davis
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
William Treacy
Dan Weaver

A. Mr. McAdams moved to approve the Board's financial statements as presented. Mr. Broaddus seconded the motion and it passed unanimously.

B. The following was presented:

1. Mr. Cluck moved to accept the audit follow-up: *Internal Audit of the Information Systems – Logical and Physical Security (FY 2015)* as presented. Mr. McAdams seconded the motion and it passed unanimously.

2. Mr. S. Peña moved to accept the *Fiscal Year 2015 Internal Audit Annual Report* as presented. Ms. Hugly seconded the motion and it passed unanimously.

3. Mr. Broaddus moved to approve the following internal audit plan for FY 2016. Mr. McAdams seconded the motion and it passed unanimously.

   a. Information Systems – Systems Development
   b. Peer Review

C. Mr. Baker reviewed the following 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. Mr. Hill, General Counsel, discussed open records letter ruling OR2015-25090.

IV. Ms. Hugly, Rules Committee Chair, reported on the Rules Committee meeting held January 13, 2016.

Members Present	**Others Present**	**Staff Present**
J. Coalter Baker, CPA *ex officio*	Charles Cooley, CPA	Roel Cantu
Jonathan B. Cluck, Esq.	Robert McAdams, CPA	Karen Davis
Rocky L. Duckworth, CPA	John Sharbaugh	J. Randel Hill, Esq.
Donna J. Hugly, CPA		Donna Hiller
Timothy L. LaFrey, Esq., CPA		Julie Prien
Steve D. Peña, CPA		Marisa Rios
		William Treacy
		April Serrano
		Daniel Weaver

A. Mr. S. Peña moved to authorize the executive director to publish the proposed amendments to Board *Rules 513.10 (Firm License)* and *513.11 (Qualifications for Non-CPA Owners of Firm License Holders)* as presented, in the *Texas Register* for public comment. Ms. Fletcher seconded the motion and it passed unanimously. **(ATTACHMENT 2)**

B. Mr. B. Peña moved to authorize the executive director to publish the proposed revisions to Board *Rule 523.131 (Board Approval of Ethics Course Content)* as presented, in the *Texas Register* for public comment. Mr. Broaddus seconded the motion and it passed unanimously. **(ATTACHMENT 3)**

C. Mr. LaFrey moved that a letter be drafted and reviewed by Rules Committee members addressing the issues raised by the Rules Committee members concerning the Exposure Draft issued by the AICPA/NASBA regarding Retired Status for CPAs. Mr. Broaddus seconded the motion and it passed unanimously.

D. Ms. Hugly reported that the committee discussed the initiation of a review of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.

E. Ms. Hugly reported that the next committee meeting was scheduled for March 23, 2016 at 1:00 p.m.

V. Mr. Broaddus, Behavioral Enforcement Committee Chair, reported on the January 6, 2016 committee meeting.

Members Present	Members Absent	Staff Present
John R. Broaddus, CPA	Donna J. Hugly, CPA	Paulette P. Beiter, Esq.
Jonathan B. Cluck, Esq.	James D. Ingram, IV, CPA	J. Randel Hill, Esq.
Donald W. Harcum, CPA		Virginia Moher, Esq., CPA
Timothy L. LaFrey, Esq., CPA		
Ben Peña, CFE, CPA		

A. Mr. McAdams moved to dismiss the following investigations based on insufficient evidence of a violation of the *Rules* or *Act*. Mr. S. Peña seconded the motion and it passed. Mr. Johnson recused himself from voting on item number six at the Board meeting.

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

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

C. The next committee meeting was scheduled for February 24, 2016.

VI. Mr. Duckworth, Technical Standards Review Committee Chair, reported on the December 8, 2015 committee meeting.

Members Present		Staff Present
J. Coalter Baker, CPA *ex officio*	Michael McConnell, CPA	J. Randel Hill, Esq.
Rocky L. Duckworth, CPA	Steve D. Peña, CPA	Virginia Moher, Esq., CPA
Ross T. Johnson, CPA	W. David Rook, CPA	
David L. King, CPA	Kimberly Wilkerson, Esq.	

A. Mr. Cluck moved to dismiss **Investigation Nos 15-01-28L[2] and 15-01-29L[2]** based on lack of evidence of a violation of the *Rules* or *Act*. Ms. Hugly seconded the motion and it passed.

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

C. The next committee meeting was scheduled for February 9, 2016.

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

VIII. 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.

IX. The Board took the following actions on Agreed Consent Orders, Proposals for Decisions, and a Proposed Default Judgment Board Order:

A. **Agreed Consent Orders**

Behavioral Enforcement Committee

Mr. Cluck moved to approve the following Agreed Consent Order (ACOs) as presented. Mr. Broaddus seconded the motion and it passed.

1. **Investigation No.:** **15-11-01L** **Hometown:** **Clovis, NM**
Respondent: **Charles Woodrow Fleming** **Certificate No.:** **061406**
Rule Violation: **501.90(4)**
Act Violations: **901.502(6), 901.502(10), 901.502(11)**

Respondent entered into an ACO with the Board whereby Respondent's certificate was revoked. Respondent was convicted on two counts of embezzlement, a second degree felony, and one count of attempting to evade or defeat tax. Respondent was sentenced to 18 years in prison, eight years of the sentence to be suspended and Respondent placed on supervised probation for five years.

Mr. Worley moved to approve the following ACOs as presented. Ms. Fletcher seconded the motion and it passed.

2. **Investigation Nos.:** **15-01-18L & 15-01-19L** **Hometown:** **Quanah, TX**
Respondents: **Jason Lee Horton &** **Certificate No.:** **083987**
Jason L. Horton, CPA (Firm) **Firm License No.:** **T08157**
Rule Violation: **501.93**
Act Violations: **901.502(6), 901.502(11)**

Respondents entered into an ACO with the Board whereby Respondent's and Respondent's Firm licenses were suspended for six months from the effective date of the Board Order. In addition, Respondent's certificate will be revoked for two years from the end date of the suspension. However, the revocation was stayed and Respondent was placed on probation for two years and must pay $125.06 in administrative costs within 30 days of the Board Order. Respondents failed to respond to Board communications.[3]

3. **Investigation Nos.:** **15-02-08L, 15-02-09L,** **Hometown:** **Dallas, TX**
15-05-09L & 15-05-10L **Certificate No.:** **089421**
Respondents: **Johanna Elizabeth Kimball** **Firm License:** **R00798**
& Johanna Kimball, CPA (Firm)
Rule Violations: **501.90(12), 501.93**
Act Violations: **901.502(6), 901.502(11)**

Respondents entered into an ACO with the Board whereby Respondent and Respondent Firm were reprimanded. In addition, Respondents must pay a $1,000 administrative penalty and $302.53 in administrative costs within 30 days of the date of the Board Order. Respondents failed to respond to clients' inquiries and failed to respond to Board communications.[1]

4. **Investigation Nos.:** **15-01-15L & 15-01-16L** **Hometown:** **Houston, TX**
Respondents: **Robert McLean &** **Certificate No.:** **078912**
Robert McLean (Firm) **Firm License No.:** **T08391**
Rule Violations: **501.90(12), 501.93**
Act Violations: **901.502(6), 901.502(11)**

Respondents entered into an ACO with the Board whereby Respondent's and Respondent Firm's license were suspended for two years from the date of the Board Order. However, the suspension was stayed and the Respondents were placed on probation and must pay a $5,000 administrative penalty and $96.48 in administrative costs within one year of the date of the Board Order. Respondents failed to respond to a client's inquiries about an engagement within a reasonable time without good cause and failed to respond to Board communications.[4]

5. **Investigation No.:** **15-05-05L** **Hometown:** **Rockwall, TX**
Respondent: **Charles Elliott Smith** **Certificate No.:** **028010**
Rule Violations: **501.90(7), 501.91**
Act Violations: **901.502(6), 901.502(11)**

Respondent entered into an ACO with the Board whereby Respondent was reprimanded. In addition, Respondent's license was suspended from the effective date of the Board Order until November 14, 2019. However, the suspension was stayed and Respondent was placed on probation for the same period. During this period, Respondent must complete four hours of live ethics CPE annually. Finally, Respondent must pay a $1,500 administrative penalty and $160.81 in administrative costs within 30 days of the date of the Board Order. Respondent was suspended from practicing before the Securities and Exchange Commission as an accountant for at least five years. Respondent failed to report the suspension to the Board.[1]

6. **Investigation No.:** **15-06-03L** **Hometown:** **Roanoke, TX**
Respondent: **Michael M. Turner** **Certificate No.:** **050589**
Rule Violation: **501.90(5)**
Act Violations: **901.502(6), 901.502(11)**

Respondent entered into an ACO with the Board whereby Respondent's certificate was revoked for four years from the effective date of the Board Order. However, the revocation was stayed and Respondent was placed on probation and must pay $107.19 in administrative costs within 30 days of the effective date of the Board Order. In addition, Respondent must complete and remain in compliance with the requirements of the Tarrant County Felony Alcohol Intervention Program. Respondent pleaded guilty to felony DWI.[1]

Technical Standards Review Committee

Ms. Fletcher moved to approve the following ACOs as presented. Ms. Hugly seconded the motion and it passed.

1. **Investigation Nos.:** **15-07-01L and 15-07-02L** **Hometown:** **Waco, TX**
   Respondents: **Tracy Jennifer Dulock & Tracy Dulock, CPA (Firm)** **Certificate No.:** **066596** **Firm License No.:** **C07409**
   Rule Violations: **501.60, 501.61, 501.78, 527.5**
   Act Violations: **901.502(6), 901.502(12)**

   Respondent entered into an ACO with the Board whereby Respondent voluntarily surrendered her certificate, consistent with her medical situation and in lieu of further disciplinary proceedings, paid $250 in administrative costs, and agreed to additional conditions that will apply in the event that she later seeks reinstatement. Respondent firm issued an audit report of a 401(k) plan's financial statements that the Department of Labor determined was not based on sufficient, competent evidential matter to support the audit opinion rendered. Respondent firm also received two successive deficient peer review ratings.[5]

2. **Investigation Nos.:** **15-06-06L & 15-06-07L** **Hometown:** **Longview, TX**
   Respondents: **Mark Edward Dulweber & Mark E. Dulweber, P.C. (Firm)** **Certificate No.:** **048442** **Firm License No.:** **C05473**
   Rule Violations: **501.93, 527.4, 527.5**
   Act Violations: **901.502(6), 901.502(11), 901.502(12)**

   Respondents entered into an ACO with the Board whereby Respondents were reprimanded; must pay an administrative penalty of $2,000 plus administrative costs of $1,286.52; and Respondents' certificate and firm licenses were placed on limited scope status until a petition for removal is approved. Respondents are prohibited from performing audits, reviews and compilations and other engagements required by the Board to be performed in accordance with the standards for auditing, accounting, and review services adopted by the American Institute of Certified Public Accountants or another national accounting organization recognized by the Board. Respondent firm has had two successive deficient peer reviews and failed to complete a mandated accelerated peer review. Respondents also did not substantively respond to Board correspondence.[5]

B. **Mass Hearings**

Mr. S. Peña moved to approve the following Proposals for Decision as presented. Mr. B. 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 4)**

Docket	Investigation Numbers	Scheduled Hearing
457-15-4621	15-08-10001 – 15-08-10031	September 29, 2015
457-15-4179	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 *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 5)**

Docket	Investigation Numbers	Scheduled Hearing
457-15-4622	15-08-10032 – 15-08-10192	September 29, 2015
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 *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 6)**

Docket	Investigation Numbers	Scheduled Hearing
457-15-4623	15-08-10193 – 15-08-10203	September 29, 2015
457-15-5119	15-09-10199 – 15-09-10216	October 27, 2015

C. **Proposed Default Judgment Board Order**

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

- **Investigation No.: 15-03-35L** **Hometown: Cedar Hill, TX**
  SOAH Docket No.: 457-16-0460 **Certificate No.: 064187**
  Respondent: Jacqueline R. Morrison
  Rule Violations: 501.90(4), 501.90(5)
  Act Violations: 901.502(6), 901.502(10), 901.502(11)

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, and 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 SOAH Administrative Law Judge granted staff's Motion for Default, pursuant to Board *Rule 519.42(d)*, and dismissed the case from the SOAH docket. The Board granted 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.

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

XI. Mr. Baker adjourned the meeting at 11:15 a.m.

ATTEST:

J. Coalter Baker, CPA, Presiding Officer

Steve D. Peña, CPA, Secretary

[1] *Mr. Broaddus, Mr. Cluck, Mr. LaFrey, and Mr. B. Peña recused themselves from participating in this matter.*
[2] *Mr. Baker, Mr. Duckworth, Mr. Johnson, Mr. S. Peña and Ms. Wilkerson recused themselves from participating in this matter.*
[3] *Mr. Baker, Mr. Broaddus, Mr. Cluck, Ms. Hugly, and Mr. B. Peña recused themselves from participating in this matter.*
[4] *Mr. Baker, Mr. Broaddus, Ms. Hugly, and Mr. B. Peña recused themselves from participating in this matter.*
[5] *Mr. Duckworth and Mr. S. Peña recused themselves from participating in this matter.*

III

Agenda Item III

Report of the Executive Committee

March 23, 2016

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

B. Review and possible action on the Board's Affirmative Action Plan

C. Review of NASBA/AICPA matters:

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

2. Nomination of Janice L. Gray, CPA for NASBA's Vice-Chair

D. Review of general correspondence

E. Consideration of professional contract amendment

Agenda Item III

Report of the Executive Committee

March 23, 2016

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

DISCUSSION: Mr. McAdams, Treasurer, 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 Five Months Ended January 31, 2016

	Actual	Budget YTD	Variance	Percent
Revenues - YTD	$ 2,979,407	$ 2,593,452	$ 385,955	14.9%
Expenditures - YTD	$ 2,162,519	$ 2,280,288	$ (117,769)	-5.2%
Net - YTD	816,888	313,164	503,724	
Transfer Out - SDSI annual payment (pro rata accrual)	$ 293,060	$ 293,060	$ -	0.0%

Revenues: See *Revenue Budget Summary* for additional information

- revenue collected over budget by 14.9%
  - ➔ License fees and exam fees slightly over budget
  - ➔ Firm Organization fees over budget due to out-of-state firms
  - ➔ Late payment fees over budget; 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 -5.2%
  - ➔ See *Expenditure Budget Summary* for discussion of budget items.

EXHIBIT II	
Beginning Fund Balance 9/01/15	$ 2,443,315
Revenues	2,979,407
Expenditures	(2,164,349) *
Other Financing Sources (Uses)	(286,499)
Ending Fund Balance 11/30/15	$ 2,971,875
net increase/(reduction) in FB	*$ 528,559*

* Budget Expenditures include encumbrances of $0.00; EXH II expenditures include prior year expenditures of $1,830.03.

Performance Measures:

	Sept. 15-Nov. 15 1st Qtr.	*Dec. 15-Feb.16* 2nd Qtr.	*Mar. 16-May 16* 3rd Qtr.	*June 16-Aug.16* 4th Qtr.	YTD	FY 15
Exam Related Measures:						
Individuals examined	3,004				3,004	11,512
Sections Taken	3,870				3,870	15,528
Average SectionsTaken 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:						
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
Disciplinary:						
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

Cases opened and closed categories include adjustments for reclassification of cases and report timing.

UNAUDITED

Texas State Board of Public Accountancy
Exhibit I - Combined Balance Sheet/Statement of Net Assets – Governmental Funds
January 31, 2016

	Governmental Fund Types				
	General Funds (EXH A-1)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
ASSETS					
Current Assets:					
Cash and Cash Equivalents:					
Cash on Hand	$ 17,102.00	$ 17,102.00	$ -	$ -	$ 17,102.00
Cash in Bank	-	-			-
Cash in Bank - Treasury Safekeeping Trust	17,929.27	17,929.27			17,929.27
Cash in State Treasury	2,281,820.94	2,281,820.94			2,281,820.94
Repurchase Agreement - Treasury Safekeeping Trust	2,835,252.55	2,835,252.55			2,835,252.55
Due From Other Funds - TTSTF (Note A)	-	-			-
Consumable Inventories	69,658.43	69,658.43			69,658.43
Total Current Assets	5,221,763.19	5,221,763.19	-	-	5,221,763.19
Non-Current Assets:					
Capital Assets:					
Depreciable					
Furniture and Equipment			124,481.56		124,481.56
Accumulated Depreciation					-
Vechicle, 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	$ 5,221,763.19	$ 5,221,763.19	$ 124,481.56	$ -	$ 5,346,244.75
LIABILITIES AND FUND BALANCES					
Liabilities:					
Current Liabilities:					
Payables From:					
Vouchers Payable	$ -	$ -	$ -	$ -	$ -
Accounts Payable	95,907.22	95,907.22			95,907.22
Payroll Payable	275,665.41	275,665.41			275,665.41
Refunds Payable	1,524.74	1,524.74			1,524.74
Due To Other Funds - TTSTF (Note A)	117,224.00	117,224.00			117,224.00
Funds Held for Others	1,358,807.99	1,358,807.99			1,358,807.99
Employees Compensable Leave	-	-		86,575.56	86,575.56
Total Current Liabilities	1,849,129.36	1,849,129.36	-	86,575.56	1,935,704.92
Non-Current Liabilities:					
Employees Compensable Leave	-	-		236,466.73	236,466.73
Total Non-Current Liabilities	-	-	-	236,466.73	236,466.73
Total Liabilities	1,849,129.36	1,849,129.36	-	323,042.29	2,172,171.65
FUND FINANCIAL STATEMENT-FUND BALANCES					
Fund Balances (Deficits):					
Nonspendable	69,658.43	69,658.43			69,658.43
Committed:					
Board Policy Reserve	2,044,009.00	2,044,009.00			2,044,009.00
Other	1,258,966.40	1,258,966.40			1,258,966.40
Total Fund Balances	3,372,633.83 *	3,372,633.83	-	-	3,372,633.83
Total Liabilities and Fund Balances	$ 5,221,763.19	$ 5,221,763.19			
GOVERNMENT-WIDE STATEMENT-NET ASSETS					
Net Assets:					
Invested in Capital Assets, Net of Related Debt			124,481.56		124,481.56
Restricted					
Unrestricted				(323,042.29)	(323,042.29)
Total Net Assets			$ 124,481.56 *	$ (323,042.29) *	$ 3,174,073.10 *

* Column totals should agree to Exhibit II column totals.

Note A: Transfers between accounts in TTSTC pending

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

UNAUDITED

Scholarship Fund

Operating Fund

T State Board of Public Accountancy
E t A-1 - Balance Sheet - All General and Consolidated Funds
January 31, 2016

	(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	$ 3,600.00	$ 230.00	$ 13,272.00	$ 17,102.00
Cash in Bank		-	-	-
Cash in Bank - Treasury Safekeeping Trust	836.28	150.00	16,942.99	17,929.27
Cash in State Treasury	1,131,186.67	50,935.94	1,099,698.33	2,281,820.94
Repurchase Agreement - Treasury Safekeeping Trust	223,185.04	349,443.24	2,262,624.27	2,835,252.55
Investments		-	-	-
Due From Other Funds		-	-	-
Consumable Inventories		-	69,658.43	69,658.43
			-	-
Total Current Assets	1,358,807.99	400,759.18	3,462,196.02	5,221,763.19
Non-Current Assets:				
Total Noncurrent Assets				
Total Assets	$ 1,358,807.99	$ 400,759.18	$ 3,462,196.02	$ 5,221,763.19
LIABILITIES AND FUND BALANCES				
Liabilities:				
Current Liabilities:				
Payables From:				
Vouchers Payable				
Accounts Payable	$ -	$ -	$ 95,907.22	$ 95,907.22
Payroll Payable		-	275,665.41	275,665.41
Refunds Payable		-	1,524.74	1,524.74
Due To Other Funds		-	117,224.00	117,224.00
Funds Held for Others	1,358,807.99	-	-	1,358,807.99
Total Current Liabilities	1,358,807.99	-	490,321.37	1,849,129.36
Non-Current Liabilities:				
Interfund Payables				-
Total Non-Current Liabilities	-	-	-	-
Total Liabilities	1,358,807.99	-	490,321.37	1,849,129.36
FUND FINANCIAL STATEMENT-FUND BALANCES				
Fund Balances (Deficits):				
Nonspendable			69,658.43	69,658.43
Committed:				-
Board Policy Reserve			2,044,009.00	2,044,009.00
Other		400,759.18	858,207.22	1,258,966.40
Total Fund Balances	-	400,759.18	2,971,874.65	3,372,633.83
Total Liabilities and Fund Balances	$ 1,358,807.99	$ 400,759.18	$ 3,462,196.02	$ 5,221,763.19

Check Figures:

Total Assets - Total Liab = Total Fund Balances	-	-	-	-

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

UNAUDITED

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 January 31, 2016

	General Funds (EXH A-2)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES					
Licenses, Fees & Permits					
License Fees	2,905,688.06	2,905,688.06			2,905,688.06
Exam Fees	265,830.00	265,830.00			265,830.00
Other License, Fees & Permits	859.78	859.78			859.78
Sales of Goods and Services	-	-			-
Interest and Investment Income	1,174.66	1,174.66			1,174.66
Other	93,232.93	93,232.93			93,232.93
Total Revenues	3,266,785.43	3,266,785.43	-	-	3,266,785.43
EXPENDITURES					
Salaries and Wages	1,061,228.24	1,061,228.24		(31,220.68)	1,030,007.56
Payroll Related Costs	337,639.76	337,639.76			337,639.76
Professional Fees and Services	241,561.78	241,561.78			241,561.78
Travel	21,834.44	21,834.44			21,834.44
Materials and Supplies	81,028.51	81,028.51			81,028.51
Communication and Utilities	13,609.75	13,609.75			13,609.75
Repairs and Maintenance	47,254.45	47,254.45			47,254.45
Rentals & Leases	60,584.16	60,584.16			60,584.16
Printing and Reproduction	15,923.85	15,923.85			15,923.85
Claims and Judgments	-	-			-
Other Expenditures	165,407.81	165,407.81			165,407.81
State Pass Through Expenditures	532,780.00	532,780.00			532,780.00
Intergovernmental Payments	283,073.00	283,073.00			283,073.00
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	2,980,202.25	2,980,202.25	(10,776.50)	(31,220.68)	2,938,205.07
Excess (Deficiency) of Revenues Over Expenditures	286,583.18	286,583.18	10,776.50	31,220.68	328,580.36
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	-	-			-
Net Change in Reserve for Inventories	7,119.72	7,119.72			7,119.72
Transfers In (Note 1.F.)	4,265,501.81	4,265,501.81			4,265,501.81
Transfers Out (Note 1.F.)	(4,559,130.28)	(4,559,130.28)			(4,559,130.28)
Gain (Loss) on Sale of Capital Assets	-	-			-
Increase/Decrease in Net Assets					-
Interagency Transfer of Capital Assets					-
Total Other Financing Sources and Uses	(286,508.75)	(286,508.75)	-	-	(286,508.75)
SPECIAL ITEMS					
	-	-			-
EXTRAORDINARY ITEMS					
	-	-			-
Net Change in Fund Balances/Net Assets	74.43	74.43	10,776.50	31,220.68	42,071.61
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--January 31, 2016	$ 3,372,633.83 *	$ 3,372,633.83 *	$ 10,776.50	$ 31,220.68	$ 3,414,631.01
GOVERNMENT-WIDE STATEMENT-NET ASSETS					
Change in Net Assets		3,372,633.83	10,776.50	31,220.68	3,414,631.01
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--January 31, 2016			$ 124,481.56 *	$ (323,042.29) *	$ 3,174,073.10

*Column totals should agree to Exhibit I column totals

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

UNAUDITED

Scholarship Fund

Operating Fund

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 January 31, 2016

	General Revenue			Memorandum Only			
	(0858) U/F (7106, 6106)	(1009) U/F (1009, 2858)	Total (EXH II)	(0858) U/F (6106,7106) FY 15	(1009) U/F (0858,1009,2858) FY 15	Total FY 15	Difference
REVENUES							
Licenses, Fees & Permits :							
Licenses, Fees	$ 287,176.06	$ 2,618,512.00	$ 2,905,688.06	$ 284,153.26	$ 2,199,824.23	$ 2,483,977.49	421,710.57 A
Exam Fees	-	265,830.00	265,830.00		235,510.00	$ 235,510.00	30,320.00 B
Other License, Fees & Permits	-	859.78	859.78		1,101.42	$ 1,101.42	(241.64)
Sales of Goods and Services	-	-	-		-	$ -	-
Interest and Investment Income	202.17	972.49	1,174.66	140.31	355.32	$ 495.63	679.03
Other	-	93,232.93	93,232.93	-	12,693.55	$ 12,693.55	80,539.38 C
Total Revenues	287,378.23	2,979,407.20	3,266,785.43	284,293.57	2,449,484.52	2,733,778.09	533,007.34
EXPENDITURES							
Salaries and Wages	-	1,061,228.24	1,061,228.24		1,030,619.44	1,030,619.44	30,608.80 D
Payroll Related Costs	-	337,639.76	337,639.76		306,442.45	306,442.45	31,197.31 E
Professional Fees and Services	-	241,561.78	241,561.78		288,057.97	288,057.97	(46,496.19) F
Travel	-	21,834.44	21,834.44		37,433.30	37,433.30	(15,598.86)
Materials and Supplies	-	81,028.51	81,028.51		68,566.86	68,566.86	12,461.65 G
Communication and Utilities	-	13,609.75	13,609.75		12,850.00	12,850.00	759.75
Repairs and Maintenance	-	47,254.45	47,254.45		19,816.91	19,816.91	27,437.54 H
Rentals & Leases	-	60,584.16	60,584.16		53,110.95	53,110.95	7,473.21
Printing and Reproduction	-	15,923.85	15,923.85		23,886.96	23,886.96	(7,963.11)
Claims and Judgments	-	-	-		-	-	-
Other Expenditures	-	165,407.81	165,407.81		247,801.28	247,801.28	(82,393.47) I
State Pass Through Expenditures	532,780.00	-	532,780.00	551,331.00	-	551,331.00	(18,551.00) J
Intergovernmental Payments	283,073.00	-	283,073.00	250,914.00	-	250,914.00	32,159.00
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 K
Depreciation Expense	-	-	-		-	-	-
Total Expenditures/Expenses	815,853.00	2,164,349.25	2,980,202.25	802,245.00	2,196,086.12	2,998,331.12	(18,128.87)
Excess (Deficiency) of Revenues Over Expenditures	(528,474.77)	815,057.95	286,583.18	(517,951.43)	253,398.40	(264,553.03)	551,136.21
OTHER FINANCING SOURCES (USES)							
Proceeds of Capital Assets		-	-				-
Change in Reserve for Inventories		7,119.72	7,119.72		(4,474.35)	(4,474.35)	11,594.07
Transfers In (Note 1.F.)	874,298.94	3,391,202.87	4,265,501.81	861,647.64	2,566,698	3,428,345.81	837,156.00
Transfers Out (Note 1.F.)	(874,308.94)	(3,684,821.34)	(4,559,130.28)	(861,777.64)	(2,748,406.67)	(3,610,184.31)	(948,945.97)
Gain (Loss) on Sale of Capital Assets	-	-	-		0.00	-	-
Total Other Financing Sources and Uses	(10.00)	(286,498.75)	(286,508.75)	(130.00)	(186,182.85)	(186,312.85)	(100,195.90)
SPECIAL ITEMS							-
EXTRAORDINARY ITEMS			-				-
Net Change in Fund Balances/Net Assets	(528,484.77)	528,559.20	74.43	(518,081.43)	67,215.55	(450,865.88)	450,940.31
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--January 31, 2016	$ 400,759.18	$ 2,971,874.65	$ 3,372,633.83	$ 878,651.72	$ 2,671,118.60	$ 3,549,770.32	$ (177,136.49)

A License Fee revenue higher - individual license fee increase from $47 to $56 effective for September licensees.
B Exam Fee revenue higher - AOI fee increase from $50 to $60; higher number of eligibility applications paid
C Other revenue higher - direct administrative cost collections increase
D Salaries and Wages higher - annual salary increases
E Payroll Related Costs higher - higher Salary and Wages expenditures
F Professional Fees and Services lower - lower expert witness/consultant expenditures
G Materials and Supplies higher - meter and bulk rate postage purchase
H Repairs and Maintenance higher - annual maintenance agreements for purchase of computer equipment/software (lower expenditures in FY 2015 due to timing)
I Other Expenditures lower - Texas Online costs lower due to elimination of Professional Fee
J State Pass Through Expenditures lower - based on university requests for funds
Intergovernmental Payments higher - based on private college requests for funds
K Capital Outlay higher - purchase of folder/inserter machine

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

UNAUDITED

Texas State Board of Public Accountancy
Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities
Agency Funds
January 31, 2016

	Beginning Balance September 1, 2015	Additions	Deductions	Ending Balance January 31, 2016
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (0001) U/F (0002)				
ASSETS				
Current				
Cash on Hand	$ 4,850.00	$ 917,696.17	$ 918,946.17	$ 3,600.00
Cash in Bank - Trust	3,000.00	10,236.28	12,400.00	836.28
Cash in State Treasury	-	2,262,745.67	1,131,559.00	1,131,186.67
Repurchase Agreement - Treasury Safekeeping Trust	521,351.60	4,376,540.71	4,674,707.27	223,185.04
Due From Other Funds				-
Total Assets	$ 529,201.60	$ 7,567,218.83	$ 6,737,612.44	$ 1,358,807.99
LIABILITIES				
Current				
Payables	$ -	$ -	$ -	$ -
Funds Held for Others	529,201.60	7,567,218.83	6,737,612.44	1,358,807.99
Total Liabilities	$ 529,201.60	$ 7,567,218.83	$ 6,737,612.44	$ 1,358,807.99
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	$ 917,696.17	$ 918,946.17	$ 3,600.00
Cash in Bank - Trust	$ 3,000.00	$ 10,236.28	$ 12,400.00	$ 836.28
Cash in State Treasury	-	2,262,745.67	1,131,559.00	1,131,186.67
Repurchase Agreement - Treasury Safekeeping Trust	521,351.60	4,376,540.71	4,674,707.27	223,185.04
Due From Other Funds	-	-	-	-
Total Assets	$ 529,201.60	$ 7,567,218.83	$ 6,737,612.44	$ 1,358,807.99
LIABILITIES				
Current				
Payables	$ -	$ -	$ -	$ -
Funds Held for Others	$ 529,201.60	$ 7,567,218.83	$ 6,737,612.44	1,358,807.99
Total Liabilities	$ 529,201.60	$ 7,567,218.83	$ 6,737,612.44	$ 1,358,807.99

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 January 31, 2016

		FY 2016
BEGINNING FUND BALANCE - September 1, 2015	**$**	**929,243.95**
Total Scholarship Fund Revenue	**$**	**287,378.23**
State Pass Through Expenditures (EXH A-2)		
State University Payments:		
Angelo State University	$	11,350.00
Lamar University		2,500.00
Prairie View A&M University		12,000.00
Midwestern State University		
Sam Houston State University		11,406.00
Stephen F. Austin State University		19,554.00
Texas A&M University		75,098.00
Texas A&M International University		12,000.00
Texas A&M University - Commerce		3,000.00
Texas A&M University - San Antonio		3,000.00
Texas State University		47,384.00
Texas Tech University		47,539.00
Texas Woman's University		3,000.00
University of Houston - Clear Lake		9,000.00
University of Houston - Downtown		63,700.00
University of Houston - Victoria		4,000.00
University of North Texas		12,000.00
University of Texas at Arlington		19,250.00
University of Texas at Austin		68,054.00
University of Texas at Dallas		57,000.00
University of Texas at El Paso		16,000.00
University of Texas at San Antonio		17,500.00
University of Texas Rio Grande Valley		18,445.00
West Texas A&M University		7,500.00
Total State University Payments		540,280.00
State University Refunds:		
University of Texas at Arlington		(7,500.00)
Total State University Refunds		(7,500.00)
State Pass Through Expenditures (EXH A-2)	**$**	**532,780.00**

Texas State Board of Public Accountancy
5th Year Accounting Scholarship Payments FY 16
State Universities
For the Month Ending January 31, 2016

	FY 2016
Intergovernmental Payments (EXH A-2)	
Junior College/ Private University Payments:	
Austin Community College	$ 3,000.00
Abilene Christian University	20,785.00
Baylor University	44,242.00
Dallas Baptist University	13,929.00
Houston Baptist University	6,000.00
Houston Community College System	15,950.00
Howard Payne University	7,202.00
Lone Star College System	6,000.00
Our Lady of the Lake - San Antonio	7,500.00
Schreiner University	6,000.00
Southern Methodist University	43,312.00
Texas Christian University	37,969.00
Texas Lutheran University	21,000.00
Texas Wesleyan University	12,000.00
University of Dallas	20,184.00
University of the Incarnate Word	12,000.00
University of St. Thomas	6,000.00
Total Junior College/ Private University Payments:	283,073.00
Junior College/ Private Univ. Refunds:	
Total Junior College/ Private University Refunds:	$ -
Intergovernmental Payments (EXH. A-2)	**283,073.00**
Other Financing Sources/Uses	
Scholarship Refunds	(10.00)
Total Other Financing Sources/Uses (EXH. A-2)	**$ (10.00)**
ENDING FUND BALANCE - January 31, 2016	**$ 400,759.18**

UNAUDITED

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

SCHEDULE B
STATEMENT OF PENALTIES ASSESSED \ CONTRIBUTIONS
For the Month Ending January 31, 2016

		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
Styles, Michael	Dec-15	96.48	10,000.00		10,096.48
Garcia, Richard J.	Dec-15	117.03			117.03
Fromm, Richard A.	Dec-15	214.40	1,000.00		1,214.40
Dulock, Tracy J.	Dec-15	250.00			250.00
Dubose, John P.	Dec-15	952.88			952.88
Hood, Larry L.	Dec-15	386.34			386.34
McLean, Robert	Jan-16	96.48	5,000.00		5,096.48
Horton, Jason L.	Jan-16	125.06			125.06
Kimball, Johanna E.	Jan-16	302.53	1,000.00		1,302.53
Smith, Charles E.	Jan-16	160.81	1,500.00		1,660.81
Turner, Michael M.	Jan-16	107.19			107.19
Dulweber, Mark E.	Jan-16	1,286.52	2,000.00		3,286.52
Gregory, H. Morris	Jan-16	107.20			107.20
Pruden, Timothy L.	Jan-16	154.84			154.84
TOTAL PENALTIES ASSESSED \ CONTRIBUTIONS		6,599.62	28,100.00	0.00	34,699.62
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)
Mock, Ronald E.	Dec-15		(200.00)		(200.00)
Bradley, Martin L.	Dec-15		(400.00)		(400.00)
Styles, Michael	Dec-15	(96.48)	(10,000.00)		(10,096.48)
Wilkins, Alison	Dec-15	(718.14)			(718.14)
Burris, Carl	Dec-15		(400.00)		(400.00)
Dulock, Tracy J.	Dec-15	(250.00)			(250.00)
Dubose, John P.	Dec-15	(952.88)			(952.88)
Hood, Larry L.	Dec-15	(386.34)			(386.34)
Mock, Ronald E.	Jan-16		(200.00)		(200.00)
Bradley, Martin L.	Jan-16		(1,000.00)		(1,000.00)
Wilkins, Alison	Jan-16	(222.79)	(136.28)		(359.07)
Gregory, H. Morris	Jan-16	(107.20)			(107.20)
Pruden, Timothy L.	Jan-16	(154.84)			(154.84)
Garcia, Richard J.	Jan-16	(117.03)			(117.03)
TOTAL PAYMENTS RECEIVED		(90,939.96)	(902,019.95)	0.00	(992,959.91)
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 - January 31, 2016		$108,520.49	$946,721.35	$75.00	$1,055,316.84

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

Revenue Budget Summary

September 1, 2015 - January 31, 2016

Agency-wide Budget

Revenue	Current Period Actual	YTD Actual	Annual Budget	Target = 41.66% % Budget Collected	Budget Uncollected
CPA License	$ 295,588	1,630,722	$ 3,746,609	43.53%	$ 2,115,887
CPE Sponsor Fee	$ 24,550	158,200	388,709	40.70%	230,509
Firm Office License	$ 83,412	509,064	922,388	55.19%	413,324
Penalties - Late Payment	$ 45,146	247,409	241,897	102.28%	(5,512)
Exam Fees - CBT	$ 60,770	259,630	575,980	45.08%	316,350
Other Collections	$ 17,162	174,382	348,702	50.01%	174,320
Total Revenue	$ 526,629	2,979,407	$6,224,285	47.87%	$ 3,244,878

Expenses	Current Period Actual	YTD Actual	Annual Budget	Target = 58.33% % Budget Remaining	Variance
Total Expenses	$ 388,666	$ 2,162,519	$ 5,472,691	60.49%	$ 3,310,171
Excess/Deficiency of Revenue over Expenses	$ 137,963	$ 816,888	$ 751,594		
Transfers Out:					
Texas Govt Code, Chap 472	$ (58,612)	$ (293,060)	$ (703,344)		
Board Rule 519.8	$ -	$ -	$ -		
Total Transfers Out	(58,612)	(293,060)	(703,344)		
Balance Contingency - YTD	$ 79,351	$ 523,828	$ 48,250		

Texas State Board of Public Accountancy

Encumbrance Budget Report

From 1/1/2016 Through 1/31/2016

Account Code	Account Title	Current Period Revenue	YTD Revenue	Total Budget	Variance	% Budget Remaining
01LIC	CPA License					
11000	3175 - CPA License	7,922.50	42,157.42	0.00	42,157.42	(100.00)%
11300	3175 OL-CPA License	287,665.34	1,588,564.27	3,746,609.00	(2,158,044.73)	57.59%
Total 01LIC	CPA License	295,587.84	1,630,721.69	3,746,609.00	(2,115,887.31)	56.47%
02SRP	CPE Sponsor Review					
17100	3175 - CPE Sponsor Fee	24,550.00	157,950.00	388,709.00	(230,759.00)	59.36%
17110	3175 - CPE Ethics Instructor Fee	0.00	250.00	0.00	250.00	(100.00)%
Total 02SRP	CPE Sponsor Review	24,550.00	158,200.00	388,709.00	(230,509.00)	59.30%
03FOL	Firm Office License					
11100	3175 - Practice Units (Office Fee)	15,143.10	81,681.20	255,591.20	(173,910.00)	68.04%
11101	3175 - Practice Units (Off. Fee) Refund	0.00	0.00	(53.00)	53.00	100.00%
11102	3175 - Practice Units - Online	33,905.84	171,857.51	383,386.80	(211,529.29)	55.17%
11200	3175 - Firm Organization Fees	17,753.25	88,505.70	149,871.20	(61,365.50)	40.94%
11202	3175 - Firm Organization Fee - Online	16,610.00	167,020.00	133,591.80	33,428.20	(25.02)%
Total 03FOL	Firm Office License	83,412.19	509,064.41	922,388.00	(413,323.59)	44.81%
04LPF	Late Payment Fees					
11050	3175 - CPA Penalty	32,444.50	167,322.50	132,985.00	34,337.50	(25.82)%
11150	3175 - Practice Unit (Off. Fee) Penalty	2,509.90	12,043.90	109,070.00	(97,026.10)	88.95%
11151	3175 - Practice Unit Pen. Ref	0.00	0.00	(158.00)	158.00	100.00%
11152	3175 - Practice Unit Pen - Online	3,400.00	15,550.00	0.00	15,550.00	(100.00)%
11400	3175 OL- CPA Penalty	6,792.00	52,492.50	0.00	52,492.50	(100.00)%
Total 04LPF	Late Payment Fees	45,146.40	247,408.90	241,897.00	5,511.90	(2.28)%
05CBT	Exam Fees - CBT					
24100	3175 - Evaluation Fee (AOI)	23,430.00	97,230.00	226,320.00	(129,090.00)	57.03%
24200	3175 - Transfer Fee - Some Sections	0.00	0.00	0.00	0.00	0.00%
24300	3175 - Transfer Fee - All Sections	100.00	2,600.00	0.00	2,600.00	(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	8,440.00	39,820.00	88,091.00	(48,271.00)	54.79%
24502	3175 - OL Exam Eligibility Fee - BEC	10,200.00	39,140.00	96,831.00	(57,691.00)	59.57%
24600	3175 - Exam Elibility Fee - FAR	0.00	0.00	0.00	0.00	0.00%
24602	3175 - OL Exam Eligibility Fee - FAR	11,420.00	42,520.00	79,353.00	(36,833.00)	46.41%
24700	3175 - Exam Eligibility Fee - REG	0.00	0.00	0.00	0.00	0.00%

Texas State Board of Public Accountancy

Encumbrance Budget Report
From 1/1/2016 Through 1/31/2016

Account Code	Account Title	Current Period Revenue	YTD Revenue	Total Budget	Variance	% Budget Remaining
24702	3175 - OL Exam Eligibility Fee - REG	7,180.00	38,320.00	85,385.00	(47,065.00)	55.12%
Total 05CBT	Exam Fees - CBT	60,770.00	259,630.00	575,980.00	(316,350.00)	54.92%
06OTH	Other Collections					
12000	3175 - Public Accountant Lic.	0.00	0.00	53.00	(53.00)	100.00%
12010	3175 - Certificate Fee	8,100.00	43,600.00	92,487.00	(48,887.00)	52.85%
12011	3175 - Certificate Fee Refund	0.00	0.00	(53.00)	53.00	100.00%
15000	3175 - Section 14 License	0.00	112.00	295.00	(183.00)	62.03%
16000	3175 - Reciprocal Registration	6,000.00	29,300.00	30,504.00	(1,204.00)	3.94%
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	684.83	91,022.93	203,748.00	(112,725.07)	55.32%
19920	3802-Other Miscellaneous Revenue	0.00	0.00	0.00	0.00	0.00%
19930	3777-Voided Warrants-SOL	0.00	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	1,160.00	6,200.00	8,352.00	(2,152.00)	25.76%
25000	3852 - Interest Income	428.33	972.49	1,000.00	(27.51)	2.75%
31020	3719 - Sales of Lists	234.00	779.78	2,000.00	(1,220.22)	61.01%
31040	3719 - Miscellaneous Copies	10.00	80.00	500.00	(420.00)	84.00%
31100	3775 - Returned Check Fees	45.00	105.00	253.00	(148.00)	58.49%
32100	3802 - Lettering Of CPA Cert.	200.00	1,150.00	3,000.00	(1,850.00)	61.66%
32111	3802 - Lettering of CPA Cert. Refd	0.00	0.00	(52.00)	52.00	100.00%
34100	3802 - AICPA Regrades	300.00	450.00	0.00	450.00	(100.00)%
Total 06OTH	Other Collections	17,162.16	174,382.20	348,702.00	(174,319.80)	49.99%
Report Total		526,628.59	2,979,407.20	6,224,285.00	(3,244,877.80)	52.13%

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TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

Expenditure Budget Summary

September 1, 2015 - January 31, 2016

Target Percentage = 58.33%

Agency-wide Budget

	Current Period Actual	Encumbrance	YTD Actual	Annual Budget	% Budget Remaining	Variance
Committed Budget						
Major Case Budget:						
Expert Witnesses	$9,197	$0	$42,945	$255,000	83.16%	$212,055
Other Major Case - AG	$1,036	$0	$5,182	$37,500	86.18%	$32,318
Other Major Case - SOAH	$0	$0	$0	$0	0.00%	$0
Westlaw/Reproduction	$0	$0	$0	$0	0.00%	$0
Enforcement Reserve	$0	$0	$0	$0	0.00%	$0
Total Major Case	$10,233	$0	$48,127	$292,500	83.55%	$244,373
Information Systems Equip/Prof. Fees	$5,705	$0	$42,651	$72,829	41.44%	$30,178
Information Systems - Capital Outlay	$0	$0	$10,777	$173,671	93.79%	$162,895
Sponsor Review Program	$20,544	$0	$94,781	$275,785	65.63%	$181,004
Operating Budget	$263,247	$0	$1,532,379	$3,556,836	56.92%	$2,024,458
			TARGET		58.33%	
			YTD Surplus/Deficit		-1.41%	($50,245)
Indirect Costs Budget						
Payroll Related Costs	$70,171	$0	$337,640	$845,170	60.05%	$507,530
Building Rent	$8,196	$0	$40,979	$92,271	55.59%	$51,292
Audit	$0	$0	$0	$27,500	100.00%	$27,500
Legal - AG Legal Cases	$0	$0	$0	$0	0.00%	$0
SORM Assessment	$0	$0	$2,336	$7,232	67.69%	$4,896
Statewide Cost Allocation	$10,570	$0	$52,849	$128,896	59.00%	$76,047
Total Indirect Costs Budget	$88,936	$0	$433,804	$1,101,069	60.60%	$667,265
Total Agency Budget	$388,666	$0	$2,162,519	$5,472,691	60.49%	$3,310,171

Departmental Budget

	Current Period Actual	Encumbrance	YTD Actual	Annual Budget	% Budget Remaining	Variance
CPE	$16,548	$ -	$ 83,660	$190,301	56.04%	106,641
Licen[illegible]	$52,166	$ -	$ 274,302	$625,284	56.13%	350,982
Qual[illegible]s	$40,279	$ -	$ 196,615	$503,051	60.92%	306,437
Enfor[illegible]nt	$78,944	$ -	$ 417,023	$899,163	53.62%	482,141
Enforcement - Major Cases (EXP. WITNESS)	$9,197	$ -	$ 42,945	$255,000	83.16%	212,055
Enforcement - Major Cases (AG)	$1,036	$ -	$ 5,182	$37,500	86.18%	32,318
Enforcement - Major Cases (SOAH)	$0	$ -	$ -	$0	0.00%	0
Enforcement - Westlaw/Reproduction/Printing	$0	$ -	$ -	$0	0.00%	0
Enforcement - Reserve	$0	$ -	$ -	$0	0.00%	0
Peer Review	$9,489	$ -	$ 50,867	$116,918	56.49%	66,051
Sponsor Review Program	$20,544	$ -	$ 94,781	$275,785	65.63%	181,004
Public Education	$13,496	$ -	$ 194,186	$528,728	63.27%	334,542
Central Administration	$27,078	$ -	$ 142,912	$449,681	68.22%	306,769
Financial & Personnel	$35,215	$ -	$ 171,762	$486,057	64.66%	314,295
Information Resources	$65,087	$ -	$ 367,128	$868,361	57.72%	501,233
Operating Support	$19,586	$ -	$ 121,157	$236,860	48.85%	115,704
Information Systems Equipment/Exceptional Items	$0	$ -	$ -	$0 [a]	0.00%	0
Total Agency Budget	$388,666	$ -	$ 2,162,519	$5,472,691	60.49%	3,310,171
Proof (Dept Total = Agency Total)	$0	$0	$0	$0	0.00%	$0.00

[a] Information Systems Equipment Budget is allocated to departmental budgets.

AGENCY-WIDE

Texas State Board of Public Accountancy

Encumbrance Budget Report

From 1/1/2016 Through 1/31/2016

TARGET = 58.33%

Account Code	Account Title	Current Period Expenditures	YTD Expenditures	YTD Encumbrances	Total Budget	Variance	% Budget Remaining
L1001	Sal & Wages - Comp. Per Diem	(60.00)	1,230.00	0.00	5,987.00	4,757.00	79.45% ✓
L1002	Sal & Wages - Employees	214,443.90	1,055,002.43	0.00	2,629,108.00	1,574,105.57	59.87% ✓
L1003	Sal & Wages - Ben Replace Pay	1,838.65	5,745.81	0.00	10,083.77	4,337.96	43.01% OK
M9000	Payroll Related Costs (IC)	70,170.80	337,639.76	0.00	845,170.00	507,530.24	60.05% ✓
N2005	Prof Fees-Legal Services-Major	1,036.43	5,182.15	0.00	37,500.00	32,317.85	86.18% ✓
N2007	Prof Fees - Fin/Acctg. Svcs.	839.17	839.17	0.00	27,823.00	26,983.83	96.98% ✓
N2008	Prof Fees - Expert Witnesses	9,196.82	42,945.25	0.00	255,000.00	212,054.75	83.15% ✓
N2009	Prof Fees - PROB	4,462.50	21,107.35	0.00	57,368.91	36,261.56	63.20% ✓
N2010	Prof Fees - SOAH	0.00	25,742.00	0.00	25,000.00	(742.00)	(2.96)% OK-lump sum
N2011	Prof Fees - Computer	5,705.25	42,651.25	0.00	72,828.97	30,177.72	41.43% A
N2019	Prof Fees - Other	13,361.81	70,056.49	0.00	76,500.00	6,443.51	8.42% 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	7,537.50	28,932.65	0.00	113,034.00	84,101.35	74.40% ✓
P2001	Travel-In State-Board Mbrs.	4,248.53	19,956.81	0.00	41,487.04	21,530.23	51.89%
P2002	Travel-In State-Employees	0.00	241.79	0.00	6,969.36	6,727.57	96.53%
P2003	Travel-In State-Adv Comm Mbrs	0.00	549.61	0.00	5,531.54	4,981.93	90.06%
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	0.00	3,892.51	0.00	10,000.56	6,108.05	61.07%
Q2001	Material & Supplies	2,830.00	17,886.06	0.00	81,435.70	63,549.64	78.03% ✓
Q2005	Matls/Supp - Office Meter Post	11,583.49	57,917.45	0.00	139,001.82	81,084.37	58.33% ✓
Q2006	Matls/Supp - Bulk Rate Postage	0.00	5,000.00	0.00	31,836.24	26,836.24	84.29% ✓
Q2009	Matls/Suppl - Other Postage	0.00	225.00	0.00	184.02	(40.98)	(22.26)% OK
R2001	Communication & Utilities	2,818.32	13,609.75	0.00	37,699.76	24,090.01	63.89% ✓
S2001	Repairs & Maint-Annual Conts.	680.20	44,653.11	0.00	45,000.00	346.89	0.77% C
S2005	Repairs & Maintenance - Other	106.32	1,529.34	0.00	7,970.07	6,440.73	80.81% ✓
T2001	Rentals & Leases-Furn/Eqpt	1,696.60	8,232.20	0.00	20,686.62	12,454.42	60.20% ✓
T2004	Rentls & Leases-Furn/Eqpt SIC	0.00	3,354.00	0.00	5,207.12	1,853.12	35.58% OK 2x p/yr
T2013	Rental & Leases-Other Space	656.36	3,968.80	0.00	9,728.16	5,759.36	59.20% ✓
T2015	Rental & Leases - SIC	0.00	3,498.00	0.00	7,191.00	3,693.00	51.35% OK 2x p/yr
T2018	Rental & Leases-Ofc Bldg (IC)	8,195.83	40,979.16	0.00	97,271.00	56,291.84	57.87% ✓
U2001	Printing & Reproduction	0.00	6,112.54	0.00	45,900.00	39,787.46	86.68% ✓
U2002	Printing of Board Report	0.00	9,811.31	0.00	47,753.94	37,942.63	79.45% ✓
W2001	OOE - Membership Fees	0.00	6,200.00	0.00	8,603.02	2,403.02	27.93% D
W2003	OOE - Registration Fees	2,910.00	6,114.50	0.00	13,062.00	6,947.50	53.18% OK
W2005	OOE - Temporary Support Serv.	0.00	3,650.25	0.00	0.00	(3,650.25)	(100.00)% E
W2007	OOE - Freight/Delivery Svc.	199.24	1,173.68	0.00	6,000.00	4,826.32	80.43% ✓
W2009	OOE - Convention Center Labor	0.00	806.25	0.00	2,318.07	1,511.82	65.21% ✓
W2011	OOE - Monitoring Alarm System	0.00	3,172.00	0.00	3,250.00	78.00	2.40% OK-lump sum

25,982.15 75,063.52 49,141.37 65.47%

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Texas State Board of Public Accountancy

Encumbrance Budget Report

From 1/1/2016 Through 1/31/2016

Account Code	Account Title	Current Period Expenditures	YTD Expenditures	YTD Encumbrances	Total Budget	Variance	% Budget Remaining
W2013	OOE - Employee Awards	95.00	332.50	0.00	1,000.00	667.50	66.75%
W2020	OOE - Other Fees & Charges	1,295.63	21,456.71	0.00	29,999.98	8,543.27	28.47% F
W2021	OE - TX Online Processing Fees	12,247.64	66,378.60	0.00	153,176.00	86,797.40	56.66%
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	52,848.75	0.00	128,896.00	76,047.25	58.99%
W2028	OOE-SORM Assessments	0.00	2,336.30	0.00	7,232.00	4,895.70	67.69%
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	0.00	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		388,665.74	2,162,519.22	0.00	5,472,690.69	3,310,171.47	60.49%

III-20

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

Budget Variance Explanations

For the Five Months Ending January 31, 2016

Ref.	Budget Item	Budget	Actual	Difference		Explanation
	Operating Budget	$ 3,556,836	$ 1,532,379.00	$ 2,024,457.00	56.92%	budget remaining versus 58.33% target level
A	Prof Fees - Computer	$ 72,829	$ 42,651.25	$ 30,177.72	41.44%	budget remaining: assistance with Rules of Professional Conduct
						online exam implementation
B	Prof Fees - Other	$ 76,500	$ 70,056.49	$ 6,443.51	8.42%	budget remaining: increase in cases referred to litigator for prosecution
C	Repairs & Maintenance - Annual Contracts	$ 45,000	$ 44,653.11	$ 346.89	0.77%	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	$ 21,456.71	$ 8,543.27	28.48%	budget remaining: lump sum payment for D&O insurance

Note A:	Budget	Actual (Est.)	
Rentals and Leases - Ofc Bldg.	$ 97,271	$ 192,096	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

March 23, 2016

B. Review and possible action on the Board's Affirmative Action Plan

DISCUSSION: Mr. Baker, Presiding Officer, will present the Board's Affirmative Action Report – CY 2015 for approval

RECOMMENDATION: None by staff

SUGGESTED MOTION: None by staff

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
Annual Affirmative Action/EEO Report
December 31, 2015

Annual Affirmative Action/EE0 Program Progress Report
The agency filled 5 positions from January 1, 2015 to December 31, 2015

Officials/Administration position filled as follows
Caucasian American ___ Male ___ Female

Professional 2 positions filled as follows (IR (1) Acct. (1))
Caucasian American 1 Male ___ Female
Hispanic American ___ Male 1 Female

Para-Professional 2 positions filled as follows (Lic/Qual (2))
Caucasian American 1 Male 1 Female

Technical 1 position filled (Qual (1)):
African American ___ Male 1 Female
Hispanic American ___ Male ___ Female

Administrative Support

B. Annual Workforce Analysis – As of December 31, 2015 (State Civilian Workforce (SCW) Percentages from the Texas Commission on Human Rights indicated). See attached analysis.

	African American		Hispanic		Female	
	Agency	SCW	Agency	SCW	Agency	SCW
Officials/Administration	0%	7.1%	0%	20.9%	44.40%	37.5%
Professional	5.90%	11.0%	47.10%	18.6%	76.50%	54.9%
Para-Professional	12.50%	N/A	12.50%	N/A	75.00%	N/A
Technical	50.00%	13.8%	33.30%	28.8%	83.30%	51.3%
Administrative Support	50.00%	13.6%	0%	33.0%	50.00%	72.8%
Total Agency	14.30%		26.20%		69.00%	

C. Annual Applicant Flow Report - January 1, 2015 through December 31, 2015 - See attached analysis

D. Annual Personnel Transaction Report - January 1, 2015 through December 31, 2015 (Resignations/Transfers to Other Agencies)

Official/Administration ___ Male ___ Female
Professional 1 Male ___ Female
Para-Professional 1 Male ___ Female
Technical ___ Male 1 Female
Administrative Support ___ Male ___ Female

E. Annual Appeal and Grievance Status Report

The Board has no employee grievances pending. The Board has no civil action currently pending before either federal or state courts.

Officials/Administration – Includes General Counsel IV, Director I, Director II, Director III, Executive Director, and, Attorney IV.
Professional – Includes Accountant II, Accountant III, Manager III, Program Specialist I, Program Specialist II, Information Specialist III, Staff Services Officer III, System Analyst V, System Analyst IV, Legal Assistant II, Program Supervisor III, and Executive Assistant II.
Para-professional – Includes Administrative Assistant II, Administrative Assistant III, Investigator I, and Investigator II.
Technical – Includes Inspector III, and Inspector IV.
Administrative Support – Includes Administrative Assistant II, and Administrative Assistant III (Receptionist) and (Mail Clerk).

Agenda Item III

Report of the Executive Committee

March 23, 2016

C. Review of NASBA/AICPA matters

DISCUSSION: Mr. Baker, Presiding Officer, will present the following NASBA/AICPA matters:

1. NASBA dates of interest:

   a. 34th Annual Conference for Executive Directors and Board Staff – March 15-17, 2016 in Tucson, AZ.
   b. 21st Annual Conference for Board of Accountancy Legal Counsel – March 15 – 17, 2016 in Tucson, AZ.
   c. Western Regional Meeting – June 22-24, 2016 in Denver, CO.
   d. 109th Annual Meeting – October 30 – November 2, 2016 in Austin, TX

2. Nomination of Janice L. Gray, CPA for NASBA's Vice-Chair

RECOMMENDATION: None by staff

SUGGESTED MOTION: None by staff

1915-2015 CENTENNIAL CELEBRATION 100 YEARS

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
WILLIAM TREACY, EXECUTIVE DIRECTOR

333 Guadalupe, Tower 3, Suite 900
Austin, Texas 78701-3900

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

March 24, 2016

DRAFT

Walter Davenport, Chair
NASBA Nominating Committee
150 Fourth Ave. North, Suite 700
Nashville, TN 37210-2417

RE: Nomination of Janice L. Gray, CPA, CVA, CFF, for NASBA Vice Chair; 2016 – 2017

Dear Mr. Davenport:

The Texas State Board of Public Accountancy unanimously voted to nominate Janice L. Gray, CPA for the position of NASBA vice chair. Gray has more than 36 years of experience in the accountancy profession and served as the southwest regional director of NASBA for three years. Gray exhibits outstanding leadership values, subject matter expertise, commitment, enthusiasm, and professionalism, which she would bring to the role as vice chair.

Gray has extensive experience working with NASBA. She currently serves as a NASBA director-at-large and has also held the position of southwest regional director, chair of the Compliance Assurance Committee, regulator representative on the AICPA Peer Review Board, and has served on the AICPA Technical Issues Committee. Gray has served as a NASBA representative on the AICPA's Accounting and Review Services Committee for the past two years and during this time much of the deliberation of SSARS 21 occurred. She has also dedicated her time as a member of numerous NASBA committees, including the Strategic Planning, Audit, Relations with Member Boards, Education, and Regulatory Response committees. Given her wealth of experience in these matters, the Texas State Board strongly supports her appointment as vice chair.

In addition to her experience with NASBA, Gray has held all leadership positions at the Oklahoma Accountancy Board, including chair; which she served for two terms. She has also been on the Board of Directors of the Oklahoma Society of Certified Public Accountants (OSCPA), as well as a member of the Oklahoma Society's Peer Review, Report Acceptance, Technology, Nominating, Accounting and Auditing, and Strategic Planning committees. Gray has also brought her dedication to the American Institute of CPAs through her service on its Peer Review Board, Private Companies Practice Section Technical Issues Committee, and the Communications and Quality Control Materials task forces.

Gray is the managing partner of Gray Blodgett and Company PLLC, a local firm in Norman, Oklahoma. Previously, she was a staff accountant for the firm of Horne & Co. and the controller for Pre-Paid Legal Services, Inc. She has a B.S. in accounting from East Central University in Ada, Oklahoma. Gray was honored as the Distinguished CPA for the Norman Chapter of the OSCPA in both 2000 and 2006. She was also inducted into the Oklahoma Accounting Hall of Fame in 2003. Her community service includes volunteer work with local nonprofit organizations, the local Chamber of Commerce Economic Development Sooner Centurions Committee, as well as the Budget and Finance Committee for her church.

Gray will continue to enhance NASBA through her leadership skills and her vigorous support for the advancement of the common interests of the National Boards of Accountancy. Gray ensures the highest quality, integrity and excellence in all that she does. We wholeheartedly recommend her service as the Vice Chair of NASBA.

Sincerely,

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

William Treacy, Executive Director

Cc: Janice L. Gray, CPA, CVA, CFF
Randall A. Ross, CPA

Agenda Item III

Report of the Executive Committee

March 23, 2016

D. Review of general correspondence

DISCUSSION: Mr. Baker, Presiding Officer, will review general correspondence1 coming to the Board's attention.

RECOMMENDATION: None by staff

SUGGESTED MOTION: None by staff

Subject: RE: Mr. Lloyd Weaver

Dear Ms. Beasley and Mr. McGaw,

Thank you so much for your help! I was able to easily sign on and pay Dad's license fee. I really appreciate your assistance.
Attached is a copy of the payment receipt.

When I see Dad this weekend, I'll tell him about your kind assistance in getting his license fee paid. I know that it will please him greatly.

Here's a brief story from the distant past. When I was a teenager, we were on vacation at the coast. Dad received a call at the hotel where we were staying. The hotel operator rang the room and said that it was a caller who said it was very important. Dad obviously took the call. Turns out it was an aide to Governor John Connally, who said, "Mr. Weaver, Governor Connally would like to know if you'd be willing to serve on the State Board of Public Accountancy... and if you're not willing, he'd like to know why." Dad was thrilled and accepted on the spot.

Thanks again for your help.

Be[illegible]egards,
Ti[illegible]eaver

From: Bryce B. Beasley [mailto:BBeasley@tsbpa.state.tx.us]
Sent: Thursday, January 21, 2016 2:11 PM
To: weaver@coda-llc.com
Subject: FW: Mr. Lloyd Weaver

Mr. Weaver,

Per our conversation, attached is the information you will need to access your father's account and profile on our system.

Please let me know if you have further questions or if I may be of further help in any way.

I wish you and your family the best.

Bryce

Bryce Beasley
CPE Inspector

THE UNIVERSITY OF TEXAS AT EL PASO

Office of Scholarships

Texas State Board of Public Accountancy
Fifth Year Accounting Scholarship
333 Guadalupe St, Austin, TX 78701

Dear Texas State Board of Public Accountancy,

Thank you so much for the continuous support of our UTEP students. As you can read from the letters enclosed it means the world to our students to have funding to pursue their professional endeavors. As we all know there is very little aid to pursue graduate studies that is why we are all the more thankful for the support given.

Please receive our gratitude for the funding provided and the opportunities that you give our students to excel and better equip themselves for the demands of the professional world.

Sincerely,

Nayeli Acevedo
Scholarship Advisor

Mike Loya Academic Services Building
Room 202
El Paso, Texas
79968-0640
(915) 747-5478
Fax: (915) 747-5089

THE UNIVERSITY OF TEXAS AT EL PASO

Office of Scholarships

Dear Texas State Board of Public Accountancy,

My name is and I would like to thank you for choosing me as a recipient for the 5th Year Accounting Scholarship. This scholarship will allow me to continue my education in accounting so that I may reach my goal in becoming a Certified Public Accountant (CPA).

I am currently a graduate student at the University of Texas at El Paso. I am working on my Master of Accountancy (MAcc) and I am expecting to graduate in May 2016. I plan to start studying for the CPA exam immediately after graduation. Receiving the 5th Year Accounting Scholarship will allow me to better afford my education and will help me to become the first person in my family to graduate with a Master degree. If not for this scholarship, I may have had to push back my graduation date in order to allocate my expenses for college and CPA study material. My goal of becoming a CPA is much closer now.

Once again, thank you for taking the time to review my profile and choosing me as a recipient for the 5th Year Accounting Scholarship. I am very grateful for the opportunities that this scholarship brings, and I will take full advantage of them.

Sincerely,

Mike Loya Academic Services Building
Room 202
El Paso, Texas
79968-0640
(915) 747-5478
Fax: (915) 747-5089

THE UNIVERSITY OF TEXAS AT EL PASO

Office of
Scholarships

Dear Texas State Board of Public Accountancy:

I am a full-time graduate student at the University of Texas at El Paso. I am enrolled in the Masters of Accountancy program. It has been a struggle to enter into this program. After graduating with a Bachelors in Business Administration from Sul Ross State University, one of my accounting teachers advised me to seek a career in the accounting field. I decided to follow my teacher's advice and moved to El Paso. I found out that I had to complete leveling courses before being considered for this program, it took me a year to complete the leveling courses. With two children it has been very difficult financially, but with the support of my husband and family we have been able to work it out.

Receiving this scholarship is not only an honor but also very helpful. It gives me a piece of mind, and I am able to concentrate in studying for my courses and the CPA exam. After graduation, I plan to obtain the CPA certification. I want to work in a CPA firm and hopefully one day have my own CPA firm.
I am thrilled to have been chosen to receive the Texas State Board of Public Accountancy 5th year Scholarship. Thank you for this honor.

Sincerely,

Mike Loya Academic
Services Building
Room 202
El Paso, Texas
79968-0640
(915) 747-5478
Fax: (915) 747-5089

THE UNIVERSITY OF TEXAS AT EL PASO

Office of Scholarships

Dear Texas State Board of Public Accountancy,

My name is and I am a full-time student at the University of Texas at El Paso. I had a fortune of receiving the Fifth Year Accounting Scholarship, and I could not be more grateful for your generosity. This is a great support for my studies, and I wanted to thank you for it.

This Scholarship is of great importance to me for several reasons. It does not only help me financially through college, but it also motivates me to continue working hard to accomplish my goals. This support encourages me tremendously to keep going above and beyond, and I am much privileged to be the beneficiary of it. As other students that receive scholarship like this, I feel extremely excited and happy to know that the Texas State Board of Public Accountancy cares about the future working force of this country. This sets an example for us to follow when our time comes of helping our following generations, and the support I am receiving today will never be forgotten.

Currently having a full-time position, I am working on the Masters of Accountancy program, hoping to graduate on May 2016. This degree will provide me with the educational requirements that I need to get the Certified Public Accountant Certification, which is my ultimate professional goal.

My academic standing and the professional opportunities that I have accomplished would have not been possible without my family and generous organizations like the Texas State Board of Public Accountancy, and once again thank you for everything you do for my generation.

Sincerely,

Mike Loya Academic Services Building
Room 202
El Paso, Texas
79968-0640
(915) 747-5478
Fax: (915) 747-5089

THE UNIVERSITY OF TEXAS AT EL PASO

Office of Scholarships

Dear Texas State Board of Public Accountancy,

I would like to thank you for you generous contribution to the Fifth-Year Accounting Student Scholarship Program. I can assure you that your contribution will help me achieve my goal of completing the Masters of Accountancy program and becoming a certified public accountant.

As a full time employee and full time graduate student at the University of Texas at El Paso, this scholarship encourages me to keep learning and move forward with my education. Your funds will allow me to continue working hard on my education while keeping my finances stable as I finish the graduate program.

Again, I'm very grateful for your help and I'm honored to be a recipient of this award. I promise that your contributions will not go to waste. I will only work harder to honor your trust as a recipient of the Fifth-Year Accounting Student Scholarship Program.

Sincerely,

Mike Loya Academic Services Building
Room 202
El Paso, Texas
79968-0640
(915) 747-5478
Fax: (915) 747-5089

THE UNIVERSITY OF TEXAS AT EL PASO

Office of
Scholarships

Dear Texas State Board of Public Accountancy,

I am writing this letter to thank you for the generous scholarship. The 5th Year Accounting Scholarship has helped me in a critical moment of my life. Being a father and a full time student, I was afraid I would not be able to cover all my expenses. However, thanks to TSBPA scholarship, my studies have become more affordable making my life easier.

I want to express all my gratitude and appreciation to Texas State Board of Public Accountancy for helping me on the road to become a CPA. I hope TSBPA keeps helping students follow their dreams and achieve their goals, as it has helped me.

Sincerely,

Mike Loya Academic
Services Building
Room 202
El Paso, Texas
79968-0640
(915) 747-5478
Fax: (915) 747-5089

THE UNIVERSITY OF TEXAS AT EL PASO

Office of
Scholarships

Texas State Board of Public Accountancy,

My name is , a graduate accounting student at the University of Texas at El Paso. I wanted to thank you for the privilege of being a 5th year accounting scholarship recipient. This scholarship has allowed me to pursue my Masters of Accountancy degree. I originally was going to seek an accounting certificate instead to simply become eligible for the CPA exam. I was doing this because of the cost difference. I definitely want to represent the CPA community in the best way that I can and I really think that this graduate degree can help me do that. It will also open more doors for me as I begin my career and it will qualify me for more appropriate promotions when the time comes.

Another thing that this scholarship will allow me to do is make my family proud. I never thought that I would be a college graduate; much less finish a graduate degree. Up until a few years ago I was working in construction for $8.50 per/hr with no particular plan for my future. This was until I decided to go back to school and took my first accounting class with Ms. Becky Hancock at El Paso Community College and finally found a subject matter that I enjoyed. Since then my dreams, goals and work ethic have increase exponentially. So again, thank you for your help and I promise you that these funds are not being wasted on me. I promise that I do not take this blessing lightly and plan to work diligently to bring credibility to the profession and my future employer.

Sincerely,

Mike Loya Academic
Services Building
Room 202
El Paso, Texas
79968-0640
(915) 747-5478
Fax: (915) 747-5089

THE UNIVERSITY OF TEXAS AT EL PASO

Office of Scholarships

To the Texas State Board of Public Accountancy,

As a graduate student in 2015, I believe most most of us are well aware of the severity of the student debt crisis. Students are taking longer to move out of their parent's home, unable to purchase their first home due to their student debt, and basically unable to take the next steps in life because of this debt. Many students work multiple jobs in order to have the ability to pay for school while having to help their families stay afloat. What the TSBPA is doing, giving out scholarships to students in need, is an incredible deed. It is safe to say that for many students, it is life changing. Thanks to these scholarships, many of us can focus more on our education and less on how we can afford it. I think it is safe to say that we the students cannot possibly express our gratitude, but hope to display our gratefulness through our success. Being on the receiving side motivates me to help others, to pay forward what was given to me so that I can help others as I was helped. The funds we receive are not taken for granted, but a reminder of the work that needs to be done. Thank you for your commitment to the students and for your efforts in paving the way for us to one day, become Certified Public Accountants.

Sincerely,

Mike Loya Academic Services Building
Room 202
El Paso, Texas
79968-0640
(915) 747-5478
Fax: (915) 747-5089

William Treacy

From: Harris, Rex G <rexharris@KPMG.com>
Sent: Wednesday, February 10, 2016 8:47 AM
To: Anthony Sanchez
Subject: RE: RECEIPT FORM with SIGNATURE

Wow, that was quick!

Thank you, and God Bless Texas!

Rex Harris
Senior Manager, Tax Transformation & Technology
KPMG LLP | 345 Park Avenue | New York, NY 10154
direct: +1 (212) 872-3641 | eFax +1 (646) 304-5496
cell: +1 (703) 489-9722
rexharris@kpmg.com | kpmg.com/us

From: Anthony Sanchez [mailto:ASanchez@tsbpa.state.tx.us]
Sent: Wednesday, February 10, 2016 9:35 AM
To: Harris, Rex G
Subject: RECEIPT FORM with SIGNATURE

Here is your receipt for payment of the 2016-12 CPA licensing fee.

Regards,

Anthony Sanchez
Inspector IV

Texas State Board of Public Accountancy
333 Guadalupe, Tower III, Suite 900
Austin TX 78701
P: (512) 305-7825
F: (512) 305-7875
asanchez@tsbpa.state.tx.us
www.tsbpa.state.tx.us

Any advice in this communication is limited to the conclusions specifically set forth herein and is based on the completeness and accuracy of the stated facts, assumptions and/or representations included. In rendering our advice, we may consider tax authorities that are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of our advice. We will not update our advice for subsequent

IV

Agenda Item IV

Rules Committee Agenda

March 23, 2016

1:30 p.m.

A. Discussion concerning the Board's Notice of Intention to enter into Rule Review, as posted in the *Texas Register.*

B. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 527 – Peer Review,* of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code.*

C. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 502 – Peer Assistance,* of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code.*

D. Discussion, consideration and possible action on the AICPA's Accounting and Review Services Committee seeking comment on its proposed amendment to Statement on Statement on Standards for Accounting and Review Services No. 21.

E. Schedule next meeting.

Agenda Item IV

Rules Committee Agenda

March 23, 2016

1:30 p.m.

A. Discussion concerning the Board's Notice of Intention to enter into Rule Review, as posted in the *Texas Register.*

DISCUSSION: *Section 2001.039* of the Texas Government Code requires all state agencies to review its rules every four years. The review must consist of an assessment of whether the reasons for initially adopting a particular rule continue to exist and the state agency is required to re-adopt, revise or repeal the rule as a result of the review.

The first two Chapters of the Board's *Rules* for your review are *Chapter 527* regarding *Peer Review* and *Chapter 502* regarding *Peer Assistance.*

RECOMMENDATION: None

SUGGESTED MOTION: None

Agenda Item IV

Rules Committee Agenda

March 23, 2016

1:30 p.m.

B. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 527 – Peer Review,* of the Board's *Rules* pursuant to Section 2001.039 of the Texas Government Code.

DISCUSSION: The Peer Review Committee is recommending that *Chapter 527* be amended in order to allow the Board to timely address evidence of deficient and failed peer reviews. The following proposed amendments to the *Chapter 527 Rules* attempts to incorporate the Peer Review Committee's efforts to do so.

Currently the practice of the Board is to require an accelerated peer review only after two consecutive deficient reviews. This can result in the issuance of as much as seven years of unacceptable attest work from a firm before the Board would initiate any disciplinary action.

The proposed rule amendments will make it clear that the Board has the authority to take action after only one deficient peer review. A fail would be considered a deficient review. The Board action could include an accelerated review but could also include removing attest services from the firm's practice in addition to a sanction. The proposed rule would retain the use of accelerated reviews as described above.

If however, a firm fails two consecutive peer reviews the firm may not provide attest services except to complete the services it has already begun and then only after a pre-issuance review by a third party of the firm's work.

The proposed rule amendment provides that any of the provisions of this section may be waived upon application to the Board by the firm.

The proposed amendments also provide for including a definition of "assigned review date," replacing "Peer Review State Board Access" with "Facilitated State Board Access" and a few other non-substantive changes.

RECOMMENDATION: The staff recommends that the Rules Committee and Peer Review Committees recommend to the Board that the proposed rule amendments be published in the *Texas Register* for public comment following the committees' discussion.

SUGGESTED MOTION: That the Rules and Peer Review committees recommend to the Board that the Board authorize the executive director to have the proposed rule amendments published in the *Texas Register* for public comment as revised by the committees.

1 **CHAPTER 527** **PEER REVIEW**
2 **RULE §527.1** **Establishment of Peer Review Program**
3
4 (a) Pursuant to §901.159 of the Act (relating to Peer Review), the board establishes a
5 peer review program to monitor CPAs' compliance with applicable accounting, auditing
6 and other attestation standards adopted by generally recognized standard-setting
7 bodies. The program may include education, remediation, disciplinary sanctions or other
8 corrective action where reporting does not comply with professional or regulatory
9 standards.
10 (b) This chapter shall not require any firm to become a member of any sponsoring
11 organization.

CHAPTER 527 **PEER REVIEW**
RULE §527.2 **Definitions**

The following words and terms used in this chapter shall have the following meanings, unless the context clearly indicates otherwise.

(1) "Review" or "review program" means the review conducted under the peer review program.

(2) "Review year" means the one-year (twelve-month) period covered by the review. Engagements selected for review normally would have periods ending during the year under review.

(3) "Sponsoring organization" means an entity that meets the standards specified by the board for administering the review. The board shall periodically publish a list of sponsoring organizations, which have been approved by the board.

(4) "Special reports" include but are not limited to reports issued under professional standards in connection with the following:

(A) specified elements, accounts, or items of a financial statement;

(B) compliance with aspects of contractual agreements or regulatory requirements related to audited financial statements;

(C) financial presentations to comply with contractual agreements or regulatory provisions; or

(D) financial information presented in prescribed forms or schedules that require a prescribed form of auditor's reports.

(5) "Firm inspection program" means the process of firm inspection administered by the PCAOB.

(6) "Rating" of a peer review refers to the type of report issued. The three types of reports are pass, pass with deficiency(ies), or fail. The peer review rating is clearly indicated in the final paragraph of the review report. A peer review report with a rating of pass with deficiency(ies) or fail is considered a deficient review.

(7) "Assigned review date" is the reporting due date to the board of an accepted peer review report. It is the end date of the review process, not the beginning.

(8) ~~(7)~~ "Acceptance **date**" of an AICPA or TSCPA peer review is the date that the sponsoring organization's peer review report committee (PRRC), referred to in §527.9(a)(1) of this chapter (relating to Procedures for a Sponsoring Organization), is

presented the peer review report on a review with the rating of pass and the PRRC approves the review. The acceptance date and in this case the completion date of the peer review are the same date and is noted in a letter from the administering entity to the reviewed firm. The PRRC will be presented with the peer review report and the firm's letter of response on reviews with a rating of pass with deficiencies or fail. Ordinarily, the PRRC will require the reviewed firm to take corrective action(s) and those actions will be communicated in a letter to the firm from the administering entity. In this circumstance, the "acceptance date" is defined as the date that the reviewed firm signs the letter from the administering entity agreeing to perform the required corrective action(s).

(9) ~~(8)~~ "Completion date" of an AICPA or TSCPA peer review is the date that the sponsoring organization's PRRC, referred to in §527.9(a)(1) of this chapter, is presented the corrective action and the committee decides that the reviewed firm has performed the agreed-to corrective action(s) to the committee's satisfaction and the committee requires no additional corrective action(s) by the firm. The date is noted in a final letter from the administering entity to the reviewed firm.

(10) ~~(9)~~ "AICPA Public File" is the file for firms that are members of AICPA's Employee Benefit Plan Audit Quality Center, Governmental Audit Quality Center, or Private Companies Practice Section who post their review information to this public file on AICPA's web site as a membership requirement. Information in the public file includes the firm's most recently accepted peer review report and the firm's response thereto, if any.

(11) ~~(10)~~ "**Facilitated** ~~Peer Review~~ State Board Access (**FSBA** ~~PRSBA~~)" is the state board limited access web site that provides the most recently accepted peer review report, the firm's letter of response (LOR), the corrective action letter (CAL), and the final letter of acceptance (FLOA).

CHAPTER 527 **PEER REVIEW**

RULE §527.3 **Standards for Peer Reviews and Sponsoring Organizations**

(a) The board adopts Standards for Performing and Reporting on Peer Reviews (**the Standards** ~~SPRPR~~) promulgated by AICPA and for public company audit firms, the firm inspection standards required under the Sarbanes-Oxley Act of 2002 (SOX), as its minimum standards for review of firms.

(b) Qualified sponsoring organizations shall be the AICPA Peer Review Program, the TSCPA's Peer Review Program and state CPA societies fully involved in the administration of the AICPA Peer Review Program, the PCAOB, and such other entities which are approved by the board.

CHAPTER 527 **PEER REVIEW**
RULE §527.4 **Enrollment and Participation**

(a) Participation in the program is required of each firm licensed or registered with the board that performs any attest service ~~or any accounting and/or auditing engagements~~,* including audits, reviews, compilations, forecasts, projections, or special reports as defined in §901.002 of the Act (relating to General Definitions) and §501.52(4), (11) and (23) of this title (relating to Definitions). A firm ~~which only performs~~ whose highest level of service is preparation engagements under SSARS is not required to participate in the program.

** Dan is checking with Jerry Cross to see if there is a need for this language.*

(b) A firm that does not perform attest services as set out in subsection (a) of this section shall annually submit a request for the exemption in writing to the board with an explanation of the services offered by the firm. A firm which begins providing services as set out in subsection (a) of this section shall notify the board of the change in status within 30 days of the change in status, provide the board with enrollment information within 90 days of the date the services were first provided and have a peer review performed within 18 months of the date the services were first provided.

(c) Each firm required to participate under subsection (a) of this section shall enroll in the applicable programs of an approved sponsoring organization within ~~12~~ 30 days ~~months~~ from its initial licensing date or the performance of services that require a review. The firm shall adopt the review due date assigned by the sponsoring organization, and must notify the board of the peer review due date within 30 days of its assignment. In addition, the firm shall schedule and begin an additional review within three years of the previous review's due date, or earlier as may be required by the sponsoring organization, ~~or~~ a committee of the board or the board's executive director. It is the responsibility of the firm to anticipate its needs for review services in sufficient time to enable the reviewer to complete the review by the assigned review due date.

(d) In the event that a firm is merged, otherwise combined, dissolved, or separated, the sponsoring organization shall determine which firm is considered the succeeding firm. The succeeding firm shall retain its peer review status and the review due date.

(e) The board will accept extensions granted by the sponsoring organization to complete a review, provided the board is notified by the firm within 15 ~~20~~ days of the date that an extension is granted.

(f) A firm that has been rejected by a sponsoring organization for any reason must make a request in writing to the board for authorization to enroll in a program of another sponsoring organization. Such request shall be made within 30 days of notification by the sponsoring organization.

(g) A firm choosing to change to another sponsoring organization may do so provided that the firm authorizes the previous sponsoring organization to communicate to the succeeding sponsoring organization any outstanding corrective actions related to the firm's most recent review. Any outstanding actions must be cleared and outstanding fees paid prior to transfer between sponsoring organizations.

(h) An out-of-state firm practicing in this state pursuant to a practice privilege provided for in §901.461 of the Act (relating to Practice by Certain Out-of-State Firms) and §517.1 and §517.2 of this title (relating to Practice by Certain Out of State Firms and Practice by Certain Out of State Individuals) of these regulations must comply with the peer review program of the state in which the firm is licensed.

(i) An out-of-state firm practicing in this state pursuant to a practice privilege from a state without a peer review program must comply with §901.159 of the Act (relating to Peer Review) and Chapter 517 of this title (relating to Practice by Certain Out-of-State Firms and Individuals).

(j) An out-of-state firm practicing in this state pursuant to a practice privilege must submit its peer review (or equivalent) documentation upon request of the board.

(k) Interpretive Comment. If a firm is subject to inspections pursuant to PCAOB and also performs attest work not subject to such inspections, the firm must enroll in a peer review program for review of its non-public company attest work in addition to the firm inspection program required by the PCAOB.

CHAPTER 527 **PEER REVIEW**
RULE §527.5 **~~Successive~~ Deficient Reviews**

(a) The board at its sole discretion may require a firm which has received a rating of pass with deficiencies or fail to have an accelerated peer review or subject it to any other disciplinary or corrective action under the Act.

(b) ~~(a)~~ A firm, including a ~~succeeding~~ successor firm, which receives two consecutive reviews **on a system or engagement review** with **ratings** ~~a rating~~ of **either** pass with deficiencies or ~~and/or~~ fail **in any order, or two pass with deficiencies,** ~~on a system or engagement review~~ may** be required to have an accelerated review by the Peer Review Committee.

*** In order to timely address deficiencies paragraph (b) could be rewritten to say that two consecutive reviews of pass with deficiencies or fail will result in the requirement of an accelerated review. The firm will be notified by the staff without the matter having to be noticed and considered by a committee.*

If that accelerated review results in a rating of pass with deficiencies or fail:

(1) the firm may complete attest engagements for which field work has already begun only if:

(A) prior to issuance of any report, the engagement is reviewed and approved by a third party reviewer acceptable to the chairman of the Technical Standards Review Committee or the Peer Review Committee; and

(B) the engagement is completed within 30 days of the acceptance of the peer review report, and LOR by the sponsoring organization; and

(2) the firm shall not perform any other attest service ~~including any accounting and/or auditing engagements,~~ **including audits, reviews, compilations, forecasts projections, or other special reports for a period of three years or until given permission by the board to resume this practice.**

~~(b) If that accelerated review results in a rating of pass with deficiencies or fail:~~

~~(1) the firm may complete attest engagements for which field work has already begun only if:~~

~~(A) prior to issuance of any report, the engagement is reviewed and approved by a third party reviewer acceptable to the chairman of the Technical Standards Review Committee or the Peer Review Committee; and~~

~~(B) the engagement is completed within 30 days of the acceptance of the peer review report, and LOR by the sponsoring organization; and~~

~~(2) the firm shall not perform any other attest service including any accounting and/or auditing engagements, including, audits, reviews, compilations (as well as compilations where no report is required), forecasts, projections, or other special reports for a period of three years or until given permission by the board to resume this practice.~~

(c) A firm, including a successor firm, which receives two consecutive reviews with a rating of fail on a system or engagement review shall not perform any other attest service including any accounting and/or auditing engagements, including audits, reviews, compilations, forecasts projections, or other special reports for a period of three years or until given permission by the board to resume this practice. The firm may complete attest engagements for which field work has already begun only if:

(1) prior to issuance of any report, the engagement is reviewed and approved by a third party reviewer acceptable to the chairman of the Technical Standards Review Committee or the Peer Review Committee; and

(2) the engagement is completed within 30 days of the acceptance of the peer review report, and LOR by the sponsoring organization.

(d) ~~(c)~~ A firm may petition the board for a waiver from the provisions of this rule.

~~(d) The board at its discretion may require a firm which has received a rating of pass with deficiencies or fail to have an accelerated peer review or subject it to any other disciplinary or corrective action under the Act.~~

CHAPTER 527 **PEER REVIEW**
RULE §527.6 **Reporting to the Board**

(a) A firm must submit to the board:

(1) a copy of the peer review report and the FLOA from the sponsoring organization, if such report has a rating of pass;

(2) a copy of the peer review report, the firm's LOR, the CAL, and FLOA if the report has a rating of pass with deficiencies or fail; or

(3) a copy of any final report resulting from any inspection by the PCAOB firm inspection program together with documentation of any significant deficiencies and findings and the firm's response.

(b) Any report or document submitted to the board under this section is confidential pursuant to the Act.

(c) Any report or document (collectively referred to as "documents") required to be submitted under subsection (a) of this section shall be filed with the board as provided below:

(1) Peer review documents will be made available by the TSCPA for firms enrolled in the AICPA and TSCPA Peer Review Programs and administered by the TSCPA. Peer review documents will be made available by the TSCPA by posting such documents within 30 days of issuing its notice of acceptance to such firms on the **FSBA** ~~PRSBA~~ web site. The reviewed firm must, within 10 days of receipt of the notice of completion from the TSCPA, complete the board's Peer Review Compliance Reporting form and submit it to the board along with the required documents.

(2) Firms otherwise enrolled in the AICPA peer review program (including those whose peer reviews are administered by the NPRC) must, within 10 days of receipt of the notice of completion from the sponsoring organization, complete the board's Peer Review Compliance Reporting form and submit it to the board along with the required documents. However, this requirement may be met by allowing the firm's peer review documents to be posted on the **FSBA** ~~PRSBA~~ web site, with access granted to the board within 30 days of issuing its notice of acceptance to such firms on the **FSBA** ~~PRSBA~~ web site.

(3) Firms enrolled in the PCAOB firm inspection program must, within 10 days of receipt of the notice of completion from the PCAOB, complete the board's Peer Review

1 Compliance Reporting form and submit it to the board along with the required
2 documents.
3 (d) The information required under subsection (c) of this section must be filed with the
4 board either by mail or electronically such as by fax, email, or **FSBA** ~~PRSBA~~ web site.

CHAPTER 527 **PEER REVIEW**
RULE §527.7 **Peer Review Oversight Board**

(a) The board shall retain the Peer Review Oversight Board (PROB) for the purpose of:

(1) monitoring sponsoring organizations to provide reasonable assurance that peer reviews are being conducted and reported in accordance with Standards for Performing and Reporting on Peer Reviews (the Standards) promulgated by the AICPA Peer Review Board;

(2) reviewing the policies and procedures of sponsoring organization applicants as to their conformity with the peer review standards; and

(3) reporting to the board on the conclusions and recommendations reached as a result of performing the functions in paragraphs (1) and (2) of this subsection.

(b) Information concerning a specific firm or reviewer obtained by the PROB during oversight activities shall be confidential, and the firm's or reviewer's identity shall not be reported to the board. Reports submitted to the board will not contain information concerning specific firms or reviewers. Members of the PROB will be required to execute a confidentiality statement for the sponsoring organization which they oversee.

(c) The PROB shall consist of three members who are active licensed Texas CPAs. No member of the PROB shall be current members of the board or one of its committees, the TSCPA's Peer Review or Professional Conduct Committee, or the AICPA Professional Ethics Executive Committee (including subcommittees). The members should have extensive experience in accounting and auditing and currently be in the practice of public accountancy at the partner (or equivalent) level, and shall be members of the TSCPA or the AICPA. The member's firm must have received a report with a rating of pass or an unmodified opinion from its last peer review. Compensation of PROB members shall be set by the board.

(d) The PROB shall make an annual recommendation to the board as to the qualifications of an approved sponsoring organization to continue as an approved sponsoring organization on the basis of the results of the following procedures:

(1) Where the sponsoring organization is the AICPA/NPRC, state CPA societies other than Texas, fully involved in the administering AICPA Peer Review Program, or the PCAOB, PROB shall review the published reports of those entities or successors, to determine that there is an acceptable level of oversight;

(2) Where the sponsoring organization is other than those listed in paragraph (1) of this subsection, PROB shall perform the following functions:

(A) At least one member of the PROB shall attend all meetings of each sponsoring organization's PRRC. Certain PRRC meetings may be conducted via telephone. In those instances, the PROB may join the conference call.

(B) During such visits, the PROB shall:

(i) meet with the organization's peer review committee during the committee's consideration of peer review documents;

(ii) evaluate the organization's procedures for administering the peer review program;

(iii) examine, on the basis of a random selection or other criteria adopted by PROB, a number of reviews performed by the organization to include, at a minimum, a review of the report on the peer review, the firm's response to the matters discussed, the sponsoring organization's FLOA outlining any additional corrective or monitoring procedures, and the required technical documentation maintained by the sponsoring organization on the selected reviews; and

(iv) expand the examination of peer review documents if significant deficiencies, problems, or inconsistencies are encountered during the analysis of the materials.

(e) In the evaluation of policies and procedures of sponsoring organization applicants, the PROB shall:

(1) examine the policies as drafted by the applicant to determine that they will provide reasonable assurance of conforming with the standards for peer reviews;

(2) evaluate the procedures proposed by the applicant to determine that:

(A) assigned reviewers are appropriately qualified to perform the review for the specific firm;

(B) reviewers are provided with appropriate materials;

(C) the applicant has provided for consulting with the reviewers on problems arising during the review and that specified occurrences requiring consultation are outlined;

(D) the applicant has provided for the assessment of the results of the review; and

(E) the applicant has provided for an independent report acceptance body that considers and accepts the reports of the review and requires corrective actions by firms with significant deficiencies;

1 (3) make recommendations to the board as to approval of the applicant as a
2 sponsoring organization.
3 (f) Annually the PROB shall provide the board's Peer Review Committee with a report
4 on the continued reliance of sponsoring organizations' peer reviews. The PROB report
5 shall provide reasonable assurance that peer reviews are being conducted and reported
6 on consistently and in accordance with the Standards for Performing and Reporting on
7 Peer Reviews (the Standards) promulgated by the AICPA Peer Review Board. A
8 summary of oversight visits shall be included with the annual report.

CHAPTER 527 **PEER REVIEW**

RULE §527.8 **Retention of Documents**

(a) Each reviewer shall maintain all documentation necessary to establish that each review conformed to the review standards of the relevant review program, including the review working papers, copies of the review report, and any correspondence indicating the firm's concurrence, non-concurrence, and any proposed remedial actions and any related implementation.

(b) The documents described in subsection (a) of this section shall be retained by the reviewer for a period of time corresponding to the retention period of the sponsoring organization, and upon request of the PROB, shall be made available. In no event shall the retention period be less than 120 days from the date of completion of the review by the sponsoring organization.

CHAPTER 527 **PEER REVIEW**

RULE §527.9 **Procedures for a Sponsoring Organization**

(a) To qualify as a sponsoring organization, an entity must submit a peer review administration plan to the board for review and approval by the PROB. The plan of administration must:

(1) establish a PRRC and subcommittees as needed, and provide professional staff as needed for the operation of the peer review program;

(2) establish a program to communicate to firms participating in the peer review program the latest developments in peer review standards and the most common findings in the peer reviews conducted by the sponsoring organization;

(3) establish procedures for resolving any disagreement which may arise out of the performance of a peer review;

(4) establish procedures to resolve matters which may lead to the dismissal of a firm from the peer review program, and conduct hearings pursuant to those procedures;

(5) establish procedures to evaluate and document the performance of each reviewer, and conduct hearings, which may lead to the disqualification of a reviewer who does not meet the AICPA standards;

(6) require the maintenance of records of peer reviews conducted under the program in accordance with the records retention rules of the AICPA; and

(7) provide for periodic reports to the PROB on the results of the peer review program.

(b) A sponsoring organization is subject to review by the board and the PROB.

(c) The PCAOB is exempt from these requirements.

A PRRC is comprised of CPAs practicing public accountancy and formed by a sponsoring organization for the purpose of accepting peer review reports submitted by firms on peer review engagements.

(1) Each member of a PRRC must be active in the practice of public accountancy at a supervisory level in the assurance ~~accounting~~ or auditing function while serving on the committee. The member's firm must be enrolled in an approved practice-monitoring program and have received a report with a rating of pass ~~or an unmodified report~~ on its most recently completed peer review. A majority of the committee members must satisfy the qualifications required of system peer review team captains as established and reported in the AICPA Standards for Performing and Reporting on Peer Reviews.

(2) Each member of a PRRC must be approved for appointment by the governing body of the sponsoring organization.

(3) In determining the size of a PRRC, the requirement for broad industry experience, and the likelihood of some members needing to recuse themselves during the consideration of some reviews as a result of the members' close association to the firm or because they performed the review, shall be considered.

(4) No more than one PRRC member may be from the same firm.

(5) The PRRC members' terms shall be staggered to provide for continuity.

(6) A PRRC member may not concurrently serve as:

(A) a member of any state's board of accountancy; or

(B) a member of any state's CPA society's ethics committee.

(7) A PRRC member may not participate in any discussion or have any vote with respect to a reviewed firm when the committee member lacks independence as defined in §501.70 of this title (relating to Independence) or has a conflict of interest. Examples of conflicts of interest include, but are not limited to:

(A) the member's firm has performed the most recent peer review of the reviewed firm's accounting and auditing practice;

(B) the member served on the review team, which performed the current or the immediately preceding review of the enrolled firm; or

(C) the member believes he cannot be impartial or objective.

1 (8) Each PRRC member must comply with the confidentiality requirements of
2 §901.161 of the Act (relating to Privilege for Certain Information). The sponsoring
3 organization may annually require its PRRC members to sign a statement
4 acknowledging their appointments and the responsibilities and obligations of their
5 appointments.
6 (9) A PRRC decision to accept a report must be made by not fewer than three
7 members who satisfy the above criteria.

The PRRC shall:

(1) establish and administer the sponsoring organization's peer review program in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews;

(2) prescribe actions designed to assure correction of the deficiencies in the reviewed firm's system of quality control policies and procedures;

(3) monitor the prescribed remedial and corrective actions to determine compliance by the reviewed firm;

(4) resolve instances in which there is a lack of cooperation and agreement between the committee and review teams or reviewed firms in accordance with the sponsoring organization's adjudication process;

(5) act upon requests from firms for changes in the timetable of their reviews;

(6) appoint members to subcommittees and task forces as necessary to carry out its functions;

(7) establish and perform procedures for **ensuring** ~~insuring~~ that reviews are performed and reported on in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews;

(8) establish a report acceptance process, which facilitates the exchange of viewpoints among committee members;

(9) communicate to the governing body of the sponsoring organization on a recurring basis:

(A) problems experienced by the enrolled firms in their systems of quality control as noted in the peer reviews conducted by the sponsoring organization;

(B) problems experienced in the implementation of the peer review program; and

(C) a summary of the historical results of the peer review program.

Agenda Item IV

Rules Committee Agenda

March 23, 2016

1:30 p.m.

C. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 502 – Peer Assistance,* of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code.*

DISCUSSION: At the last Board meeting, the Board approved for publication in the *Texas Register* for public comment a proposed amendment to Board *Rule 523.131(b)(3)* that would require ethic course providers to have in their presentation and materials information on the services available to licensees from the Accountants Confidential Assistance Network (ACAN). This came from a recommendation of the Peer Assistance Committee. The proposed amendment was published in the *Texas Register* seeking public comment and to date, no comments have been received. It will be considered by the Board at the March 24, 2016 Board meeting for final adoption.

Chapter 502 of the Board's *Rules*, which directly addresses the Board's Peer Assistance program, has been made available for the committee's review in order to comply with the required review of Board *Rules* pursuant to *Section 2001.039* of the *Texas Government Code.* Staff has no recommended changes to the Peer Assistance program other than what was proposed at the last Rules Committee meeting in *Chapter 523.*

RECOMMENDATION: The staff recommends that the Rules Committee recommend to the Board that it authorize the executive director to publish the proposed re-adoption of *Chapter 502* (*Peer Assistance*) pursuant to the requirement of *Section 2001.039* of the *Texas Government Code.*
in the Texas Register for public comment

SUGGESTED MOTION: That the Rules Committee recommend to the Board that it authorize the executive director to publish the proposed re-adoption of *Chapter 502* of the Board's *Rules* in the *Texas Regis*

ter for public comment.

1 **CHAPTER 502** **PEER ASSISTANCE**
2 **RULE §502.1** **Peer Assistance to Licensees**
3
4 (a) The board adopts the provisions contained in the Texas Health and Safety Code,
5 Chapter 467, Peer Assistance Programs, in its entirety, including any amendments
6 enacted by the Texas Legislature.
7 (b) Should the board receive information regarding a licensee, applicant or certificate
8 holder indicating possible chemical dependency on drugs or alcohol or mental health
9 issues, the board may:
10 (1) refer the licensee to an approved peer assistance program; or
11 (2) require the licensee to participate in or complete a course of treatment or
12 rehabilitation.
13 (c) Should the board receive a complaint or other information constituting possible
14 violations of other board rules, including chemical dependency on drugs or alcohol, or
15 mental health issues, then the board may take action as appropriate under this title and
16 the Act regarding those possible violations in addition to making a referral under
17 subsection (b) of this section.
18 (d) An approved peer assistance program that receives a report or referral under
19 subsection (b) of this section or a report under §467.005(a) of the Texas Health and
20 Safety Code, may intervene to assist the licensee, applicant or certificate holder to
21 obtain and complete a course of treatment and rehabilitation.

CHAPTER 502 **PEER ASSISTANCE**

RULE §502.2 **Texas State Board of Public Accountancy Policy Statement of the Peer Assistance Oversight Committee**

(a) The board has established the peer assistance oversight committee to oversee the activities of the TSCPA's peer assistance program as mandated under the Texas Health and Safety Code, Chapter 467.

(b) The peer assistance oversight committee operates under the premise that impairments caused by chemical dependency on drugs or alcohol and mental health issues are treatable.

(c) The peer assistance oversight committee's responsibilities include, but are not limited to:

(1) protecting the public from CPAs whose ethical, behavioral, and technical violations due to chemical dependency on drugs or alcohol and/or mental health issues have harmed, or have the potential to harm, the public;

(2) encouraging CPAs, CPA applicants, and accounting students to seek assistance for impairment due to chemical dependency on drugs or alcohol and/or mental health issues;

(3) cooperating with the TSCPA's peer assistance program in promoting confidential assistance to CPAs, CPA applicants, and accounting students who suffer from chemical dependency on drugs or alcohol and/or mental health issues; and

(4) disseminating information about the peer assistance program to CPAs, CPA applicants, and accounting students.

Agenda Item IV

Rules Committee Agenda

March 23, 2016

1:30 p.m.

D. Discussion, consideration and possible action on the AICPA's Accounting and Review Services Committee seeking comment on its proposed amendment to Statement on Statement on Standards for Accounting and Review Services No. 21.

DISCUSSION: The committee is being provided a link to the AICPA's Exposure Draft seeking public comment on its proposed changes to the Statement on Statement on Standards for Accounting and Review Services No. 21. Also enclosed is a letter from the TSCPA commenting on the proposed changes. This is being provided for the committee's information, review and possible comment. Comments are due on the proposed changes by May 6, 2016.

RECOMMENDATION: None

MOTION: None

https://www.aicpa.org/research/exposuredrafts/compilationreview/downloadabledocuments/20151208a_ed_pfi_pro_forma_and_omnibus_ssars.pdf

Texas Society of
CPA Certified Public Accountants

March 2, 2016

Mike Glynn
Accounting and Review Service Committee
American Institute of CPAs
mglynn@aicpa.org

RE: ARSC Proposed Statement on Standards for Accounting and Review Services
Compilation of Prospective Financial Statements, et al

Dear Mr. Glynn:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. The views expressed herein are written on behalf of the PSC, which has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee members. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of TSCPA.

The TSCPA PSC is supportive of the proposed changes to the Compilation and Review professional guidance included in the above referenced exposure draft (ED). We believe the proposed changes are positive and will enhance the performance of engagements focused on compilation of prospective financial statements and pro forma financial information.

The question posed on page 9 of the ED asked respondents to specifically address whether they agree with the decision to not require written representation in a compilation of prospective financial information. We agree that a representation letter should not be required in such engagements. We believe adequate representations for the accountant in such engagements will be forthcoming through forecast information, financial information, memos, emails, and other resources including the engagement letter in which the client accepts responsibility for the preparation of the prospective financial information.

We appreciate the opportunity to provide input into the standards setting process.

Sincerely,

Jerilyn K. Barthel

Jerilyn K. Barthel, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants

14651 Dallas Parkway, Suite 700 • Dallas, TX 75254-7408 • 972/687-8500 • 800/428-0272 • Fax 972/687-8646

Agenda Item IV

Rules Committee Agenda

March 23, 2016

1:30 p.m.

E. Schedule next meeting.

V

AGENDA ITEM V

CPE Committee Meeting Report

February 17, 2016

The CPE Committee met on Wednesday, February 17, 2016 at 9:15 a.m. in the Board Room. The following Committee Members and Board Staff were present for the meeting.

Board Members Present
Ms. Donna Hugly (Chair)
Mr. John Broaddus
Mr. Phillip Worley
Mr. Ross Johnson

Staff Present
William Treacy
Daniel Weaver
Roel Cantu
Jerry Hill
Karen Davis
April Serrano

Advisory Members Present
Mr. William Moss
Mr. Charles Holder

Other Individuals Present
Kim Newlin, TSCPA

The committee members represented a quorum and the following items were discussed and considered:

A. The Committee discussed and reviewed possible action in regards to the proposed changes to the *AICPA Exposure Draft (Statement on Standards for Continuing Professional Education (CPE) Programs)*. The comment period ends on April 30, 2016. Pending final approval by the AICPA and NASBA, the Standards will be effective September 1, 2016. The committee recommends that the Board respond to the Exposure Draft with modifications to the Preamble, Standard No. 5 and indicate that the Texas Board would intend to limit nano-learning hours to no more than 50 percent of hours that can be claimed for CPE compliance.

SUGGESTED MOTION: That the Board authorize the Board Chair and Executive Director to cosign a response letter to the Exposure Draft.

B. The Committee discussed possible action in regards to CPE compliance monitoring related to *Board Rule 523.111(c), Required CPE Reporting.* Compliance with this section is normally tested though the annual internal audit process and occurs about every five years. The FY2016 internal audit plan was revised during the January Board meeting to exclude this area in favor of Peer Reviews. The Committee determined that an ongoing monitoring process should be established with a random sample of 1% over a three year period.

C. The committee considered a request to overturn an exemption request previously denied under *Board Rule523.113 (1)(B), Exemptions from CPE.* The committee reviewed the request and determined that the denial for the exemption would be upheld.

D. The Committee reviewed and considered the contracts and course materials authored by:

1) William Nantz, CPA (Texas), "Accounting Ethics: Ethical Principles & Values for Texas CPAs," and

2) Michael Latimer, CPA, "Ethics Training for Texas CPAs."

SUGGESTED MOTION: That the course and renewal contract be tentatively approved pending completion of required modifications.

E. The Committee discussed and reviewed a currently approved ethics course, *"Ethics for Accountants",* by Mr. Jesus Amezcua, CPA for the purpose of entering into a new contract. The Committee determined that the course materials required significant updates and revisions and did not meet the current standards to be approved and that Mr. Amezcua's contract be suspended until such time as corrections could be made and brought back to the committee for review.

F. The committee discussed and approved the deletion of Section 5 of the CPE Sponsor Agreement related to Dispute Resolution. The committee determined that this provision was unnecessary and delayed the ability of the Executive Director from making timely decisions to protect the public.

G. The Committee discussed Board Rule Chapter 523 in compliance with the agency's requirement for rule review every four years. No action was taken on this agenda item.

The date of the next committee meeting was set to be a joint meeting with the Rules Committee on Wednesday, May 11, 2016 at 10 a.m. The committee adjourned at 1:52 p.m.

VI

AGENDA ITEM NO. VI

Peer Review Committee Report

February 9, 2016

The Peer Review Committee met on February 9, 2016 at 1:00 p.m. in the Board room at the Hobby building. The following committee members and Board staff were present for the meeting

Attended:
Rocky Duckworth (Board)
Ben Peña (Board)
J. Coalter Baker (ex officio)
David Rook (Advisory)
Jerry Cross (Advisory)
John Anderson (Advisory)

J. Mason Andres III (PROB)

Staff:
William Treacy
J. Randel (Jerry) Hill
Daniel Weaver
Karen Davis
Virginia Moher
Tiffney Duncan

Absent:
Steve Peña (Chair)
Robert McAdams (Board)
Dan Hanke (Advisory)
Larry Henderson (Advisory)

Mike Waters (PROB)
Rebecca Teague (PROB)

The committee members represented a quorum with Mr. Duckworth sitting as the acting Chair in Mr. Steve Peña's absence. The following items were discussed and considered:

A. Board staff presented a brief overview of the current Peer Review Process.

B. The committee discussed and accepted a motion to accept the 2015 Annual Report from the Peer Review Oversight Board (PROB) with a recommendation to continue the Texas Society of CPAs as an approved peer review sponsoring organization (PROB Annual Report is attached).

Suggested Motion: The Board is asked to accept the approval of the PROB Annual Report.

C. The committee discussed Board *Rule 527.5 (Successive Deficient Reviews)* to create a process for more timely action to occur for a Failed Peer Review. The discussion led to a decision to incorporate any suggested changes in coordination with the full rule review (Agenda Item E) scheduled for March 23, 2016 in a joint meeting with the Rules Committee. No action was taken on this agenda item by the committee.

D. The committee discussed and accepted a motion to authorize the executive director to issue a letter of comment to a firm that receives a single Fail Peer Review (example letter of comment is attached).

Suggested Motion: The Board is asked to accept the approval to issue a letter of comment for a single Fail Peer Review.

E. The Committee discussed Board *Rule Chapter 527* in compliance with the agency's requirement for rule review every four years. Rule Review will be taken up in a joint meeting with the Rules Committee on March 23, 2016. No action was taken on this agenda item by the committee.

F. The committee briefly discussed but took no specific action related to proposed changes to *the AICPA Standards for Performing and Reporting on Peer Reviews - Improving Transparency and Effectiveness of Peer Review.*"

The date of the next committee meeting was set to be a joint meeting with the Rules Committee on March 23, 2016. The committee adjourned at 3:00 PM.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
PEER REVIEW OVERSIGHT BOARD

Annual Report for 2015 on the Continuing Oversight of Sponsoring Organizations by the TSBPA to Administer Peer Reviews

The Peer Review Oversight Board (PROB) was established under the provisions of The Texas Administrative Code, Title 22, Rule 527.7 (c) and is retained by the Texas State Board of Public Accountancy (TSBPA) to monitor sponsoring organizations that have been approved by the TSBPA for the administration of peer reviews under the auspices of the AICPA peer review program for those firms that are licensed or registered in the state of Texas. During 2015, the Texas Society of CPA's (TSCPA) and the AICPA/NPRC were the only sponsoring organizations approved by the TSBPA.

AICPA/NPRC

In accordance with the provisions of the Texas Administrative Code, Rule 527.7 (d) (1), the PROB has reviewed the most recent published reports related to the AICPA/NPRC and have concluded that the conclusions in those reports allow us to recommend the continuance of the AICPA/NPRC as a sponsoring organization within the requirements stipulated in the Texas Administrative Code, Rule 527.9.

TEXAS SOCIETY OF CPA'S

In accordance with the requirements of the Texas Administrative Code, Rule 527.7 (d) A), members of the PROB attended all meetings of the TSCPA's Peer Review Committee and their Review Acceptance Bodies (RAB's) either by telephone conference call or in person. Detailed reviews of all peer review documents for a sample of peer reviews processed by the TSCPA was made by members of PROB using the criteria listed below in selecting the sample:

1. **Reviews in which the current report shows a dramatic improvement from a failed or pass with deficiencies in the prior peer review.**
2. **Pass with Deficiencies reports.**
3. **Team and Review Captains whose performance has been problematic in the performance of conducting and reporting the results of peer reviews in accordance with professional standards**
4. **Reviews conducted by Association formed review teams.**
5. **Team Captains who perform a large number of reviews.**
6. **Randomly selected reviews.**
7. **Failed reports.**

In 2015, the TSCPA Peer Review Committee Review Acceptance Bodies considered and acted on 540 Engagement reviews, 336 Systems reviews, and 46 Corrective Actions for a total of 922 total peer reviews. PROB reviewed in detail 52 Engagement Reviews (9.63%), 57 Systems Reviews (16.96%), and 12 Corrective Actions (26%), a total of 121 detailed reviews for a total of 13% of all reviews. In all of the meetings of the TSCPA Peer Review Committee and their acceptance bodies, members of the PROB not only commented on those reviews included in their detailed sample but also participated in the deliberations on all of the reviews presented.

Standardized programs to perform these oversights have been designed to ensure that sufficiently appropriate procedures are being performed by the PROB to allow them to assess whether the

TEXAS SOCIETY OF CPA'S (Contd.)

TSCPA peer review program is being administered in accordance with the minimum peer review standards. These standardized programs contain updates that conform to the requirements of Statements on Quality Control Standards #8 and are critically reviewed by members of the PROB on a continuing basis to assure that they continue to provide effective guidance. We have previously reported that the PROB has been asked to share our programs with other states to assist them in their performance of oversights within their jurisdictions.

Team and review captains have always been and continue to be a key factor in the performance of peer reviews that conform to the peer review standards. Team and review captains that are identified in the RAB deliberations as problematical are referred to the TSCPA's Team and Review Captain Evaluation Task Force for their recommendations on improving their level of performance. Members of PROB have attended the meetings of the Task Force and have concluded that their imposition of continued monitoring and oversight of these individuals has generally proved effective in elevating their level of performance. We have noted that a few of the review and team captains have been repeatedly identified as underperforming and have been subjected to monitoring and oversight, but are continuing to demonstrate that these additional efforts have not resulted in significant improvements in discharging their responsibilities as review and team captains. As a result, an inordinate amount of additional time by the TSCPA technical review staff and members of the RAB's has been required in reviewing their work. PROB is of the opinion that the number of review and team captains who continue to underperform is not indicative of a pervasive problem. TSCPA sponsoring organization personnel are aware of our observations.

Based upon the results of procedures performed by PROB, it is our opinion that the TSCPA is administering its peer review program in accordance with the standards promulgated by the AICPA Peer Review Board and the rules of the Texas Board of Public Accountancy and should be continued as a sponsoring organization.

PEER REVIEW STANDARDS

In our last report to the Peer Review Committee of the Texas State Board of Public Accountancy, we made reference to proposed changes to the AICPA Standards for Performing and Reporting on Peer Reviews and our intention to keep the members of the Peer Review Committee of the TSBPA apprised of our assessment of its impact on the sponsoring organizations and on any changes that should be made in PROB's programs. Our initial assessment of the proposed statement indicated that there would be a significant impact on the performance and administration of peer reviews for all approved sponsoring organizations including the Texas Society of CPA's. Those changes were not as dramatic as initially envisioned and did not result in any changes in our materials or methodology in monitoring the TSCPA as an approved Sponsoring Organization.

A new Exposure Draft of Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews (Draft) dated November 10, 2015 contains these changes.

- **Supplement the existing guidance for peer reviewer, reviewed firm, technical reviewer and Report Acceptance Body (RAB) responsibilities for non-conforming engagements.**
- **Enhance the peer review of the firm's system of quality control to better assist the team captain and firm in identifying systemic causes and appropriate remediation of non-conforming engagements and systemic weaknesses.**
- **Clarify the timing of when results of the peer review should be communicated to the firm to allow time for the firm to identify appropriate remediation.**

PEER REVIEW STANDARDS (Contd.)

- **Clarify the guidance for drafting descriptions of findings, deficiencies and significant deficiencies.**
- **Clarify the peer review report model and provide greater transparency on the results of the review.**
- **Clarify the required firm representations for System and Engagement Reviews.**
- **Clarify information the AICPA and administering entities may provide about a review to third parties.**

The Draft is replete with changes to the wording of reports, representation letters and other documents associated with performing peer reviews and contains an apparent shift in philosophy by bringing more focus on the reviewed firm's responsibility to design their own quality control document as a more customized guide appropriate to their practice as opposed to utilizing the broader canned models for various firm sizes.

This brief discussion of the impact of the Draft is intended to make you aware of the proposed changes and to alert you to the possible increased workload that will be imposed upon the TSCPA in their role as a Sponsoring Organization. We will monitor the progress of the Draft and will have ongoing discussions with the TSCPA technical staff to determine what, if any, additional expansion of the oversight of their activities will be required.

Peer Review Oversight Board

Mason Andres, CPA

Mason Andres, CPA, Chair
Mike Waters, CPA
Rebecca Teague, CPA

1915-2015 CENTENNIAL CELEBRATION 100 YEARS

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
WILLIAM TREACY, EXECUTIVE DIRECTOR

333 Guadalupe, Tower 3, Suite 900
Austin, Texas 78701-3900

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

February 9, 2016

«FIRM_NAME»
«ADDRESS_1»
«ADDRESS_2»
«CITY_STATE_ZIP»

Firm License ID: «FIRM_ID»
Control Number: «FIRM_CONTROL»
Certified Receipt: «CERTIFIED_RECEIPT»

Dear «SALUTATION»:

The Board staff received your firm's Peer Review completed on «DATE» in which you received a rating of **Fail** by your sponsoring organization. This rating indicates that your work product contains significant deficiencies and does not meet the competency requirements of the professional standards that apply to those services.

The Board needs assurance that you are complying with the corrective actions required of the sponsoring organization and that you will continue to seek ongoing training and education necessary to provide acceptable attest work to the public in the future. Please be aware if your firm does not receive a **Pass** rating on the next review, the Board may take action against your license pursuant to Board *Rule §527.5 - Successive Deficient Reviews.*

If you are no longer performing work that requires a review, you may request, in writing, that the firm be exempt from the peer review program.

If you have any questions, please contact Ms. Tiffney Duncan in Peer Review at 512.305.7820 or tduncan@tsbpa.state.tx.us.

Sincerely,

TEXAS STATE BOARD OF
PUBLIC ACCOUNTANCY

WILLIAM TREACY
Executive Director

WT/td
Encl.

VII

Agenda Item VII

Behavioral Enforcement Committee Meeting Report

February 24, 2016

The Behavioral Enforcement Committee met on Wednesday, February 24, 2016, at the Board offices beginning at 9:00 a.m.

Members Present	Members Absent	Staff Present
John R. Broaddus, CPA *Committee Chair* Jonathan B. Cluck, Esq. Donald W. Harcum, CPA Donna J. Hugly, CPA James D. Ingram, IV, CPA Karen Jones, CPA Timothy L. LaFrey, Esq., CPA Ben Peña, CFE, CPA		Paulette Beiter, Esq. J. Randel (Jerry) Hill, Esq.

A. AFTER GIVING THESE MATTERS DUE CONSIDERATION, THE COMMITTEE RECOMMENDS THESE MATTERS BE DISMISSED BASED ON INSUFFICIENT EVIDENCE OF A VIOLATION OF THE *ACT* OR *RULES*:

1. **Investigation Nos. 15-12-01L & 15-12-02L**: Respondents allegedly failed to respond to Complainants' inquiries regarding their return. **(Board approval required)**

2. **Investigation Nos. 16-01-01L, 16-01-02L & 16-01-03L**: Respondents self-reported a settlement in which Plaintiffs claimed Respondents failed to disclose a conflict of interest and failed to advise Plaintiffs of the tax consequences of a purchasing company's assumption of personal debt during the sale of Plaintiffs' company. **(Board approval required)**

3. **Investigation Nos. 15-12-20L, 15-12-21L & 15-12-22L**: Respondents allegedly failed to provide financial statements or supporting detail for work already completed for Complainant and allegedly did not provide the accounting work for which Respondent had been paid. **(Board approval required)**

4. **Investigation Nos. 15-11-03L & 15-11-04L**: Respondent allegedly mishandled a client's family trust of which he was the trustee. **(Board approval required)**

5. **Investigation Nos. 15-12-06L & 15-12-07L**: Respondent allegedly misstated a client's social security tax on the return he prepared and failed to respond to Complainant's numerous inquiries about the return. **(Board approval required)**

6. **Investigation No. 16-02-03L:** Respondent allegedly refused to provide the financial records of a Homeowners' Association to Complainant. **(Board approval required)**

7. **Investigation Nos. 15-12-03L & 15-12-05L:** Respondent allegedly advised Complainant and his spouse to contribute to a health savings account and to an IRA in order to reduce their tax liability and prepared the return as if the actions had been taken without verifying the action had been taken correctly. Respondent allegedly did not include the amount from a 1099 on the return he prepared. **(Board approval required)**

8. **Investigation Nos. 16-01-09L & 16-01-10L:** Respondent allegedly refused to provide an accounting of a trust of which Complainant is a beneficiary. **(Board approval required)**

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

C. **NEXT MEETING:** The next meeting is scheduled for April 27, 2016.

VIII

Agenda Item VIII

Technical Standards Review Committee Report

February 9, 2016

10 A.M.

The Technical Standards Review Committee met on February 9, 2016, beginning at 10 a.m.

Board members present: Committee Chair, Rocky Duckworth, CPA; Ross Johnson, CPA; and Kimberly Wilkerson, Esq.

Board member absent: Steve Peña, CPA

Advisory members present: David King, CPA, Michael McConnell, CPA, and David Rook, CPA

Staff present: Jerry Hill, Esq. and Virginia Moher, Esq., CPA

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

B. **NEXT MEETING:** The next meeting date is April 26, 2016.

IX

AGENDA ITEM IX

PROBATION REPORT

MARCH 24, 2016

STATUS DOCKET

BOARD REPORTING PERIOD DECEMBER 18, 2015, THROUGH FEBRUARY 26, 2016

	PROBATION	LIMITED SCOPE
OPEN CASES AT START:	10	49
NEW CASES OPENED:	3	1
CASES CLOSED:	1	0
OPEN CASES AT END:	12	50

A. PROBATION STATUS

At present, the Enforcement Division is monitoring:

1. Probation Files: 12

2. Limited Scope Files: 50

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: 1

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

C. PROBATION

1. Certificate holders placed on probation during this reporting period: 3

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

Respondent:	**Hernandez, Luis Ricardo**
Hometown:	**Brownsville, Texas**
Certificate No.:	**029322**
Investigation No.:	**11-09-09L**
Order Date:	**September 20, 2012**

Respondent was suspended by the IRS for at least 40 months from May 26, 2011, for the willful failure to timely file federal income tax returns for 2004 and

2005 and for failure to file federal income tax returns for 2006 and 2007. A complaint was filed against Respondent on September 13, 2011, and Respondent was provided with the opportunity to respond to the complaint and to show compliance with the law.

On September 20, 2012, Respondent entered into an ACO whereby Respondent's license would be suspended. However, the suspension was stayed and Respondent was placed on probation for a period of 40 months. In addition, Respondent was required to pay an administrative penalty of $2,000 within 30 days of the date of the Board Order.

On September 28, 2012, the Board received payment in full. On January 20, 2016, Respondent was removed from the Board's probation monitoring system.

X

Agenda Item X

Unauthorized Practice of Public Accountancy

March 24, 2016

Status Docket

BOARD REPORTING PERIOD DECEMBER 19, 2015 THROUGH FEBRUARY 26, 2016

OPEN FILES AT START	**221**
NEW FILES OPENED	**91**
TOTAL UPPA FILES	**312**
UPPA FILES CLOSED	**89**
OPEN FILES AT END	**223**

UPPA CLOSED FILES:

VOLUNTARY COMPLIANCE	**89**
AGREED CEASE AND DESIST ORDERS	**0**
CEASE AND DESIST ORDERS	**0**
FILES REFERRED TO BEHAVIORAL ENFORCEMENT COMMITTEE	**0**
OTHER	**0**
TOTAL	**89**

RATIFIED BY BOARD - January	**0**

XI

Agenda Item XI

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

March 24, 2016

A. AGREED CONSENT ORDERS

Behavioral Enforcement Committee

1. Investigation Nos. 15-09-09L & 15-09-10L
2. Investigation Nos. 15-09-11L & 15-09-12L
3. Investigation Nos. 15-08-03L & 15-08-04L
4. Investigation No. 15-11-05L
5. Investigation No. 15-11-14L
6. Investigation No. 15-11-02L
7. Investigation No. 15-03-33L

Technical Standards Review Committee

1. Investigation Nos. 15-09-07L & 15-09-08L
2. Investigation Nos. 15-12-18L & 15-10-07L
3. Investigation Nos. 14-02-01L & 14-02-02L

B. MASS HEARINGS

1. Investigation Nos. 15-10-10001 - 15-10-10017
2. Investigation Nos. 15-11-10001 - 15-11-10028
3. Investigation Nos. 15-10-10018 - 15-10-10188
4. Investigation Nos. 15-11-10029 - 15-11-10179
5. Investigation Nos. 15-10-10189 - 15-10-10201
6. Investigation Nos. 15-11-10180 - 15-11-10192

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.

Docket	Investigation Numbers	Hearing Date
1. 457-16-0024	15-10-10001 - 15-10-10017	November 17, 2015
2. 457-16-0480	15-11-10001 - 15-11-10028	December 8, 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.

Docket	Investigation Numbers	Hearing Date
3. 457-16-0025	15-10-10018 - 15-10-10188	November 17, 2015
4. 457-16-0481	15-11-10029 - 15-11-10179	December 8, 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.

Docket	Investigation Numbers	Hearing Date
5. 457-16-0026	15-10-10189 - 15-10-10201	November 17, 2015
6. 457-16-0482	15-11-10180 - 15-11-10192	December 8, 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, and 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 *Rule 501.90(5)*; and, 2) Respondent's individual certificate be revoked.

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

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

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

XII

Agenda Item XII

Adoption of Board Rules (Second Reading)

March 24, 2016

DISCUSSION: The rule listed below was proposed for amendment on first reading at the January 14, 2016 Board meeting.

RECOMMENDATION: The staff recommends that the proposed rule be adopted as presented on second reading.

SUGGESTED MOTION: That the proposed rule listed below be adopted as presented on second reading.

1. *Section 513.10 (Firm License)*
2. *Section 513.11 (Qualifications for Non-CPA Owners of Firm License Holders)*
3. *Section 523.131 (Board Approval of Ethics Course Content)*

ORDER ADOPTING RULE

IN RE:	)	**BEFORE THE TEXAS STATE BOARD**
	)	
BOARD RULE	)	**OF PUBLIC ACCOUNTANCY**

§513.10. Firm License

On January 14, 2016, the Texas State Board of Public Accountancy (the Board) considered a proposal to adopt an amendment to Board Rule 513.10 concerning Firm License.

Notice of the proposed rule was published in the January 29, 2016 issue of the Texas Register (41 TexReg 768). Thirty days have passed since the date of publication of the proposed rule in the Texas Register.

No comments were received by the Board.

The Board adopts the proposed amendment to Board Rule 513.10 for the reasons stated in the attached Rule Adoption Preamble, and incorporates into this Order the Rule Adoption Preamble for Board Rule 513.10.

The rule as adopted has been reviewed by legal counsel and found to be a valid exercise of the Board's legal authority.

IN TESTIMONY WHEREOF, I have signed my name below affirming and evidencing the Board's March 24, 2016 action.

_____

J. Coalter Baker, CPA, Presiding Officer

RULE ADOPTION PREAMBLE

IN RE:	)	**BEFORE THE TEXAS STATE BOARD**
	)	
BOARD RULE	)	**OF PUBLIC ACCOUNTANCY**

§513.10. Firm License

The Texas State Board of Public Accountancy (the "Board") adopts an amendment to Board Rule 513.10 concerning Firm License.

The amendment will clarify that: 1) CPA firms may be organized under the Texas Business Corporation Act and limited liability company law, as well as the Texas Professional Corporation Act and professional limited liability company law, and 2) Professional organizations must be composed entirely of licensees.

The rule amendment is adopted under the Public Accountancy Act, Texas Occupations Code, Section 901.151(a)(2) (West 2009) which provides the agency with the authority to amend, adopt and repeal rules deemed necessary or advisable to effectuate the Act.

On January 14, 2016, the Board voted to accept the proposed amendment to Board Rule 513.10, and, pursuant to Chapter 2001 of the Administrative Procedure Act, GOVERNMENT CODE, and the Public Accountancy Act, the proposed rule amendment was published in the Texas Register on January 29, 2016 (41 TexReg 768), with a request for comments from the public.

No comments were received by the Board.

§513.10.Firm License.

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

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

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

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

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

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

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

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

(f) Interpretive comment: §901.351(a) of the Act (relating to Firm License Required), §501.81(a) of this title and subsection (a) of this section require a firm license in order to use the title CPA except as provided for in §501.81(d) of this title.

(g) Interpretive comment: A professional organization includes a professional corporation or professional limited liability company.

ORDER ADOPTING RULE

IN RE:	)	**BEFORE THE TEXAS STATE BOARD**
	)	
BOARD RULE	)	**OF PUBLIC ACCOUNTANCY**

§513.11. Qualifications for Non-CPA Owners of Firm License Holders

On January 14, 2016, the Texas State Board of Public Accountancy (the Board) considered a proposal to adopt an amendment to Board Rule 513.11 concerning Qualifications for Non-CPA Owners of Firm License Holders.

Notice of the proposed rule was published in the January 29, 2016 issue of the Texas Register (41 TexReg 769). Thirty days have passed since the date of publication of the proposed rule in the Texas Register.

No comments were received by the Board.

The Board adopts the proposed amendment to Board Rule 513.11 for the reasons stated in the attached Rule Adoption Preamble, and incorporates into this Order the Rule Adoption Preamble for Board Rule 513.11.

The rule as adopted has been reviewed by legal counsel and found to be a valid exercise of the Board's legal authority.

IN TESTIMONY WHEREOF, I have signed my name below affirming and evidencing the Board's March 24, 2016 action.

_____

J. Coalter Baker, CPA, Presiding Officer

RULE ADOPTION PREAMBLE

IN RE:	)	**BEFORE THE TEXAS STATE BOARD**
	)	
BOARD RULE	)	**OF PUBLIC ACCOUNTANCY**

§513.11. Qualifications for Non-CPA Owners of Firm License Holders

The Texas State Board of Public Accountancy (the "Board") adopts an amendment to Board Rule 513.11 concerning Qualifications for Non-CPA Owners of Firm License Holders.

The amendment will clarify that: 1) CPA firms may be organized under the Texas Business Corporation Act and limited liability company law, as well as the Texas Professional Corporation Act and professional limited liability company law, and 2) Professional organizations must be composed entirely of licensees.

The rule amendment is adopted under the Public Accountancy Act, Texas Occupations Code, Section 901.151(a)(2) (West 2009) which provides the agency with the authority to amend, adopt and repeal rules deemed necessary or advisable to effectuate the Act.

On January 14, 2016, the Board voted to accept the proposed amendment to Board Rule 513.11, and, pursuant to Chapter 2001 of the Administrative Procedure Act, GOVERNMENT CODE, and the Public Accountancy Act, the proposed rule amendment was published in the Texas Register on January 29, 2016 (41 TexReg 769), with a request for comments from the public.

No comments were received by the Board.

§513.11. Qualifications for Non-CPA Owners of Firm License Holders.

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

~~(1) is an individual;~~

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

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

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

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

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

(2) comply with the rules of professional conduct;

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

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

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

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

ORDER ADOPTING RULE

IN RE:	)	**BEFORE THE TEXAS STATE BOARD**
	)	
BOARD RULE	)	**OF PUBLIC ACCOUNTANCY**

§523.131. Board Approval of Ethics Course Content

On January 14, 2016, the Texas State Board of Public Accountancy (the Board) considered a proposal to adopt an amendment to Board Rule 523.131 concerning Board Approval of Ethics Course Content.

Notice of the proposed rule was published in the January 29, 2016 issue of the Texas Register (41 TexReg 770). Thirty days have passed since the date of publication of the proposed rule in the Texas Register.

No comments were received by the Board.

The Board adopts the proposed amendment to Board Rule 523.131 for the reasons stated in the attached Rule Adoption Preamble, and incorporates into this Order the Rule Adoption Preamble for Board Rule 523.131.

The rule as adopted has been reviewed by legal counsel and found to be a valid exercise of the Board's legal authority.

IN TESTIMONY WHEREOF, I have signed my name below affirming and evidencing the Board's March 24, 2016 action.

_____

J. Coalter Baker, CPA, Presiding Officer

RULE ADOPTION PREAMBLE

IN RE:	)	**BEFORE THE TEXAS STATE BOARD**
	)	
BOARD RULE	)	**OF PUBLIC ACCOUNTANCY**

§523.131. Board Approval of Ethics Course Content

The Texas State Board of Public Accountancy (the "Board") adopts an amendment to Board Rule 523.131 concerning Board Approval of Ethics Course Content

The amendment will 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).

The rule amendment is adopted under the Public Accountancy Act, Texas Occupations Code, Section 901.151(a)(2) (West 2009) which provides the agency with the authority to amend, adopt and repeal rules deemed necessary or advisable to effectuate the Act.

On January 14, 2016, the Board voted to accept the proposed amendment to Board Rule 523.131, and, pursuant to Chapter 2001 of the Administrative Procedure Act, GOVERNMENT CODE, and the Public Accountancy Act, the proposed rule amendment was published in the Texas Register on January 29, 2016 (41 TexReg 770), with a request for comments from the public.

No comments were received by the Board.

§523.131. Board Approval of Ethics Course Content.

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

(1) encourage the licensee to become educated in the ethics of the profession;

(2) convey the intent of the board's Rules of Professional Conduct in the licensee's performance of professional accounting services, and not mere technical compliance;

(3) apply ethical judgment in interpreting the rules and provide for a clear understanding of the public interest. The public interest shall be placed ahead of self-interest, even if it means a loss of job or client;

(4) emphasize the ethical standards of the profession, as described in this section; and

(5) review and discuss the board's Rules of Professional Conduct and their implications for persons in a variety of practices, including at least one example from subparagraph (A) of this paragraph and at least one example from either subparagraph (B) or (C) of this paragraph:

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

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

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

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

(1) 25% on ethical principles and values;

(2) 25% on ethical reasoning and dilemmas;

(3) 15% on the board's Rules of Professional Conduct with special focus on recent changes in those rules <u>and including information on the peer assistance available to Texas CPAs, CPA candidates and accounting students with alcohol, substance abuse, depression, stress or other mental health issues through the Accountants Confidential Assistance Network (ACAN)</u>; and

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

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

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

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

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

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

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

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

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

(1) avoid commercial exploitation;

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

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

XIII

Agenda Item XIII

Review of Future Meetings/Hearing Schedules

March 24, 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			**27** 9:00								
CPE		**17** 9:30										
CEC												
Executive	**13** 2:30		**23** 1:00									
Licensing												
Qualifications												
New Member Orientation												
Peer Assistance												
Peer Review		**9** 1:00	**23** 1:30									
Rules	**13** 1:30		**23** 1:30									
TSR		**9** 10:00		**26** 10:00								

[1]Swearing-in ceremony is scheduled for June 18, 2016 and December 3, 2016, in Austin, Texas, at the Palmer Events Center.
[2]Skeleton crew holiday

XIV

Agenda Item XIV

Adjournment

March 24, 2016

I. **DISCUSSION:** The presiding officer will entertain a motion to adjourn.

II. **RECOMMENDATION:** None required

III. **SUGGESTED MOTION:** None required