

**Texas State Board of Public Accountancy**  
**Board Meeting Agenda**  
**May 12, 2016**

- I. Call to order and roll call – 10:00 a.m., May 12, 2016 ..... I-1
- II. Approval of the March 24, 2016 Board meeting minutes ..... II-1
- III. Consideration of report and recommendations of the Executive Committee..... III-1
  - A. Review and possible action on the Board’s financial statements ..... III-3
  - B. Budget Plan for FY 2017 ..... III-23
  - C. Review of NASBA/AICPA matters: ..... III-25
    - NASBA dates of interest:
      - 1. Western Regional Meeting – June 22-24, 2016 in Denver, CO.
      - 2. 109<sup>th</sup> Annual Meeting – October 30 – November 2, 2016 in Austin, TX
  - D. Review of general correspondence ..... III-27
  - E. Consideration of professional service contract ..... III-39
  - F. Annual evaluation of the Executive Director ..... III-41
- IV. Consideration of report and recommendation of the Rules Committee..... IV-1
  - A. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 501 – Rules of Professional Conduct*, of the Board’s Rules pursuant to *Section 2001.039* of the *Texas Government Code* ..... IV-3
  - B. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 518 – Unauthorized Practice of Public Accountancy*, of the Boards Rules pursuant to *Section 2001.039* of the *Texas Government Code* ..... IV-47
  - C. Schedule next meeting..... IV-57
- V. Consideration of report from the Board’s Swearing-in Ceremony ..... V-1
- VI. Discussion, consideration, and possible action on the report of the Behavioral Enforcement Committee ..... VI-1

**Meeting – April 27, 2016**

- A. Informal Conference:
  - Investigation No. 16-01-14L..... VI-1
- B. Discussion items:

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2. Investigation Nos. 16-03-05L and 16-03-06L .....	VI-1
3. Investigation Nos. 15-11-16L and 15-11-17L .....	VI-1
4. Investigation No. 15-12-19L.....	VI-1
5. Investigation No. 16-03-10L.....	VI-1
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 C. Next meeting date .....	 VI-1
 <b>VII. Discussion, consideration, and possible action on the report of the Technical Standards Review Committee .....</b>	 <b>VII-1</b>
 <b><u>Meeting – April 26, 2016</u></b>	
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3. Investigation Nos. 15-07-03L and 15-07-04L .....	VII-1
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5. Investigation No. 13-01-28L.....	VII-1
6. Investigation No. 13-01-27L.....	VII-1
7. Investigation No. 13-01-26L.....	VII-1
8. Investigation Nos. 15-07-17L and 15-07-16L .....	VII-1
 B. Cases pending.....	 VII-1
 C. Next meeting date .....	 VII-1
 <b>VIII. Report on the Enforcement Division’s Probation Monitoring System .....</b>	 <b>VIII-1</b>
 <b>IX. Report on the Unauthorized Practice of Public Accountancy Program.....</b>	 <b>IX-1</b>
 <b>X. Discussion, consideration, and possible action on Proposed Agreed Consent Orders, Proposals for Decision, and Proposed Default Judgment Board Order .....</b>	 <b>X-1</b>
A. Agreed Consent Orders	
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1. Investigation Nos. 15-04-06L, 15-04-07L, 15-04-12L, and 15-04-13L .....	X-3
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C. Agreed Cease and Desist Order

• Laura Van Cleave .....	X-7
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**XI. Adoption of Board Rules ..... XI-1**

1. *Section 527.2 (Definitions)*
2. *Section 527.3 (Standards for Peer Reviews and Sponsoring Organizations)*
3. *Section 527.4 (Enrollment and Participation)*
4. *Section 527.5 (Successive Deficient Reviews)*
5. *Section 527.6 (Reporting to the Board)*
6. *Section 527.7 (Peer Review Oversight Board)*
7. *Section 527.10 (Peer Review Report Committee)*
8. *Section 527.11 (Responsibilities of Peer Review Report Committee)*

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

**XIII. Adjournment ..... XIII-1**



## **Agenda Item I**

### **Call to Order and Roll Call**

**May 12, 2016**

- I. **DISCUSSION:** The meeting will be called to order, *en banc*, at 10:00 a.m., May 12, 2016 in the Board's office, at which time the roll will be called.
- II. **RECOMMENDATION:** None required
- III. **SUGGESTED MOTION:** None required



## **Agenda Item II**

### **Approval of the March 24, 2016 Minutes**

**May 12, 2016**

- I. **DISCUSSION:** The enclosed minutes of the March 24, 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 March 24, 2016 Board meeting be approved as submitted/amended.
- III. **SUGGESTED MOTION:** That the minutes of the March 24, 2016 Board meeting be approved as submitted/amended.



**Texas State Board of Public Accountancy**  
**March 24, 2016**

The Texas State Board of Public Accountancy met from 10:00 a.m. until 11:12 a.m. on March 24, 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 9:48 a.m. on March 14, 2016. (TRD #2016-001747).  
(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  
William Lawrence  
*Member-at-Large*  
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

**Others Present**

Dennis Fernelius, CPA  
Matt Hunter, Esq.  
Robert Owen, CPA  
Mark Vane, Esq.

**Staff Present**

Bryce Beasley  
Paulette Beiter, Esq.  
Roel Cantu  
Ismael Castillo  
Karen Davis  
Rhonda Fellner  
Jackie Frazier  
Alan Hermanson, CPA  
J. Randel Hill, Esq.  
Donna Hiller  
Joseph Jaffe  
Kyle McGaw  
Marissa Mahoney  
Virginia Moher, Esq., CPA  
Julie Prien  
Marisa Rios  
Anthony Sanchez  
April Serrano  
Andrea Smith  
William Treacy  
Daniel Weaver

- I. Mr. Baker, Presiding Officer, called the meeting to order at 10:00 a.m. Mr. Treacy called roll and declared a quorum.
- II. Ms. Fletcher moved to approve the January 14, 2016 Board meeting minutes as presented. Ms. Hugly seconded the motion and it passed unanimously.

At this time, Mr. Baker presented the following staff employees with service award plaques:

1. Jackie Frazier – 15-year service award
2. Rhonda Fellner – 5-year service award

- III. Mr. Baker, Executive Committee Chair, reported on the March 23, 2016 committee meeting.

**Members Present**

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

**Others Present**

Dennis Fernelius, CPA  
Timothy L. LaFrey, Esq., CPA  
Robert Owen, CPA

**Staff Present**

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

- A. Mr. McAdams moved to approve the Board's financial statements as presented. Mr. S. Peña seconded the motion and it passed unanimously.
- B. Mr. S. Peña moved to approve the Board's Affirmative Action Report – CY 2015 as presented. Mr. Lawrence seconded the motion and it passed unanimously.
- C. The following was reported:
  - 1. Mr. Baker reviewed the following NASBA dates of interest
    - a. 34<sup>th</sup> Annual Conference for Executive Directors and Board Staff – March 15–17, 2016 in Tucson, AZ. Mr. Treacy reported on the Executive Directors and Board Staff Conference.
    - b. 21<sup>st</sup> 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. 109<sup>th</sup> Annual Meeting – October 30–November 2, 2016 in Austin, TX
  - 2. Ms. Hugly moved to nominate Janice L. Gray, CPA, of Oklahoma as NASBA's Vice-Chair. Mr. McAdams seconded the motion and it passed.
- D. Mr. Baker reviewed thank you letters from the public to the Board acknowledging the following staff members:
 

1. Bryce Beasley	3. Anthony Sanchez
2. Kyle McGaw	4. Andrea Smith
- E. Mr. McAdams moved to approve the following professional service contract amendment as presented. Mr. Duckworth seconded the motion and it passed unanimously.

**FY 2016:**

**Independent consultant contract (SOAH litigation):**

- Mary Alice Boehm-McKaughan 9/1/15 – 8/31/16 \$75,000  
 (Increase contract by \$75,000 from \$76,500 to \$151,500)

- IV. Ms. Hugly, Rules Committee Chair and Mr. S. Peña, Peer Review Committee Chair reported on the joint Rules and Peer Review Committee meeting held March 23, 2016.

**Members Present**

J. Coalter Baker, CPA  
*ex officio*  
 Jonathan B. Cluck, Esq.  
 Jerry Cross, CPA  
 Rocky L. Duckworth, CPA  
 Dan Hanke, CPA  
 Donna J. Hugly, CPA  
 Timothy L. LaFrey, Esq.,  
 CPA  
 Robert M. McAdams, CPA  
 Steve D. Peña, CPA

**Others Present**

Dennis Fernelius, CPA  
 William Lawrence  
 Robert Owen, CPA

**Staff Present**

Karen Davis  
 Tiffney Duncan  
 Alan Hermanson, CPA  
 J. Randel Hill, Esq.  
 Donna Hiller  
 Virginia Moher, Esq., CPA  
 Marisa Rios  
 April Serrano  
 William Treacy  
 Daniel Weaver

- A. Ms. Hugly reported that the committee began Rule Review, as required by *Section 2001.039* of the Texas Government Code, with its review of *Chapters 502 (Peer Assistance)* and *527 (Peer Review)*.
- B. Mr. S. Peña moved to authorize the executive director to publish the proposed rule revisions to *Chapter 527 (Peer Review)* in the *Texas Register* for public comment. **(ATTACHMENT 2)**

- C. Mr. S. Peña moved to authorize the executive director to publish in the *Texas Register* the re-adoption of *Chapter 502 (Peer Assistance)* pursuant to the requirement of *Section 2001.039* of the *Texas Government Code*. (ATTACHMENT 3)
- D. Ms. Hugly reported that the committee had discussed the proposed AICPA's Accounting and Review Services Committee's Exposure Draft - Statement on Standards for Accounting and Review Services No. 21.
- E. Ms. Hugly reported that the next committee meeting was scheduled for May 11, 2016 at 1:30 p.m.
- V. Ms. Hugly, Continuing Professional Education Committee Chair, reported on the February 17, 2016 committee meeting.

<b>Members Present</b>	<b>Others Present</b>	<b>Staff Present</b>
John R. Broaddus, CPA Charles Holder, CPA Donna Hugly, CPA Ross Johnson, CPA William Moss, CPA Phillip Worley	Kim Newlin	Roel Cantu Karen Davis J. Randel Hill, Esq. April Serrano William Treacy Daniel Weaver

- A. Ms. Hugly moved to authorize the Board's Presiding Officer and Executive Director to co-sign a response letter to the AICPA's Exposure Draft – Statements on Standards for Continuing Professional Education (CPE) Programs. Mr. McAdams seconded the motion and it passed unanimously.
- B. Ms. Hugly reported that the committee had discussed possible action in regards to CPE compliance monitoring related to Board *Rule 523.111(c) (Required CPE Reporting)* and the committee decided that an ongoing monitoring process should be developed with a random sample of 1% over a three-year period.
- C. Ms. Hugly informed the Board that the committee considered a request to overturn an exemption request previously denied and decided to uphold the denial.
- D. Ms. Hugly moved to tentatively approve the following ethics course and contracts pending completion of required modifications. Mr. Broaddus seconded the motion and it passed unanimously.
  - 1. William Nantz, CPA, "Accounting Ethics: Ethical Principles & Values for Texas CPAs"
  - 2. Michael Latimer, CPA, "Ethics Training for Texas CPAs"
- E. Ms. Hugly reported that the committee had discussed and reviewed "Ethics for Accountants" by Mr. Jesus Amezcua, CPA and determined that the course required significant updates and revisions. Therefore, the committee suspended his contract until such time that corrections could be made and brought back to the committee for review.
- F. Ms. Hugly reported that the committee deleted Section 5 of the CPE Sponsor Agreement related to Dispute Resolutions.
- G. No action was taken on the review of *Chapter 523 (Continuing Professional Education)*.
- VI. Mr. S. Peña, Peer Review Committee Chair, reported on the February 9, 2016 committee meeting.

<b>Members Present</b>	<b>Others Present</b>	<b>Staff Present</b>
John Anderson, CPA J. Coalter Baker, CPA ex officio Jerry Cross, CPA Rocky Duckworth, CPA Benjamin Peña, CFE, CPA David W. Rook, CPA	J. Mason Andres, CPA  <b>Members Absent</b> Dan Hanke, CPA Larry Henderson, CPA Robert M. McAdams, CPA Steve D. Peña, CPA James D. Ingram, IV, CPA	Karen Davis Tiffney Duncan J. Randel Hill, Esq. Virginia Moher, Esq., CPA William Treacy Daniel Weaver

- A. Mr. S. Peña reported that the committee had staff present a brief overview of the current peer review process.
  - B. Mr. S. Peña moved to accept the 2015 Annual Report from Peer Review Oversight Board. Mr. B. Peña seconded the motion and it passed unanimously.
  - C. Mr. S. Peña reported no action was taken on Board *Rule 527.5 (Successive Deficient Reviews)*.
  - D. Mr. S. Peña moved to approve to issue a letter of comment for a single Fail Peer Review. Mr. McAdams seconded the motion and it passed unanimously.
  - E. The committee reviewed *Chapter 527 (Peer Review)* in compliance with the agency's requirement for rule review every four years.
  - F. Mr. S. Peña reported that the committee briefly discussed proposed changes to the *AICPA Standards of Performing and Reporting on Peer Reviews- Improving Transparency and Effectiveness of Peer Reviews* and no action was taken.
- VII. Mr. Broaddus, Behavioral Enforcement Committee Chair, reported on the February 24, 2016 committee meeting.

**Members Present**

John R. Broaddus, CPA  
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

**Staff Present**

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

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

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

Mr. S. Peña moved to dismiss **Investigation Nos. 15-11-03L<sup>1</sup> and 15-11-04L<sup>1</sup>** based on insufficient evidence of a violation of the *Rules* or *Act*. Ms. Fletcher seconded the motion and it passed. Mr. Johnson recused himself from voting on this item.

- B. Other – The committee considered five other investigations, which require no Board action at this time.
- C. The next committee meeting was scheduled for April 27, 2016.

- VIII. Mr. Duckworth, Technical Standards Review Committee Chair, reported on the February 9, 2016 committee meeting.

**Members Present**

Rocky L. Duckworth, CPA  
Ross T. Johnson, CPA  
David King, CPA  
Michael McConnell, CPA  
David Rook, CPA  
Kimberly Wilkerson, Esq.

**Member Absent**

Steve D. Peña, CPA

**Staff Present**

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

- A. Other – The committee considered eight other investigations, which require no Board action at this time.
- B. The next committee meeting was scheduled for April 26, 2016.

- IX. Ms. Moher, Staff Attorney, reported on the status of the Enforcement Division's probation monitoring docket.
- X. Mr. Hill, General Counsel, reported on the status of investigations into alleged violations of *Subchapter J* of the *Public Accountancy Act*, regarding the unauthorized practice of public accountancy.
- XI. The Board took the following actions on Agreed Consent Orders, Proposals for Decisions, and a Proposed Default Judgment Board Order:

A. **Agreed Consent Orders**

**Behavioral Enforcement Committee**

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

- |    |                            |   |                          |               |
|----|----------------------------|---|--------------------------|---------------|
| 1. | <b>Investigation Nos.:</b> | 15-09-09L & 15-09-10L                           | <b>Hometown:</b>         | Arlington, TX |
|    | <b>Respondents:</b>        | Raymond Harold Best &<br>Raymond H. Best (Firm) | <b>Certificate No.:</b>  | 053954        |
|    | <b>Rule Violation:</b>     | 501.74(b)                                       | <b>Firm License No.:</b> | T07689        |
|    | <b>Act Violation:</b>      | 901.502(6)                                      |                          |               |

Respondent entered into an ACO with the Board whereby Respondent and Respondent Firm were reprimanded. In addition, Respondents must pay \$95.28 in administrative costs within 30 days of the date of the Board Order. Respondent failed to file a client's tax return.<sup>2</sup>

- |    |                            |   |                          |            |
|----|----------------------------|---|--------------------------|------------|
| 2. | <b>Investigation Nos.:</b> | 15-09-11L & 15-09-12L   | <b>Hometown:</b>         | Dallas, TX |
|    | <b>Respondents:</b>        | H. Morris Gregory &<br>Sykes, Gregory &<br>Company, P.C. (Firm) | <b>Certificate No.:</b>  | 008193     |
|    | <b>Rule Violation:</b>     | 501.74  | <b>Firm License No.:</b> | C03381     |
|    | <b>Act Violation:</b>      | 901.502(6)  |                          |            |

Respondent entered into an ACO with the Board whereby Respondent and Respondent Firm were reprimanded. In addition, Respondent must complete eight hours of continuing professional education (CPE) in the area of fiduciary or trust income tax. This requirement is in addition to Respondent's annual CPE requirement. Respondent must also reimburse the Complainant \$1,325 within 30 days of the date of the Board Order and pay \$107.20 in administrative costs within 30 days of the date of the Board Order. Respondent made an error on a trust tax return.<sup>2</sup>

- |    |                            |   |                          |            |
|----|----------------------------|---|--------------------------|------------|
| 3. | <b>Investigation Nos.:</b> | 15-08-03L & 15-08-04L                           | <b>Hometown:</b>         | Bonham, TX |
|    | <b>Respondents:</b>        | Joe David Heredia &<br>Joe David Heredia (Firm) | <b>Certificate No.:</b>  | 045586     |
|    | <b>Rule Violations:</b>    | 501.74(b), 501.76                               | <b>Firm License No.:</b> | S06995     |
|    | <b>Act Violation:</b>      | 901.502(6)                                      |                          |            |

Respondents entered into an ACO with the Board whereby Respondent and Respondent Firm were reprimanded. In addition, Respondents must pay \$416.88 in administrative costs within 30 days of the date of the Board Order. Respondents failed to complete a client's tax returns in a timely manner and failed to return a client's records upon request.<sup>2</sup>

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

- |    |                           |                                      |                         |                |
|----|---------------------------|--------------------------------------|-------------------------|----------------|
| 4. | <b>Investigation No.:</b> | 15-11-05L                            | <b>Hometown:</b>        | Waxahachie, TX |
|    | <b>Respondent:</b>        | Jonathan Leland Moore                | <b>Certificate No.:</b> | 084286         |
|    | <b>Rule Violation:</b>    | 501.90(4)                            |                         |                |
|    | <b>Act Sections:</b>      | 901.502(6), 901.502(10), 901.502(11) |                         |                |

Respondent entered into an ACO with the Board whereby Respondent's certificate was revoked in lieu of further disciplinary action. Respondent pleaded guilty to conspiracy to defraud the United States and to commit bank fraud, a felony, and was sentenced to 35 months in prison.

- |    |                           |                         |                         |            |
|----|---------------------------|-------------------------|-------------------------|------------|
| 5. | <b>Investigation No.:</b> | 15-11-14L               | <b>Hometown:</b>        | Irving, TX |
|    | <b>Respondent:</b>        | Donald Wayne Nederman   | <b>Certificate No.:</b> | 081119     |
|    | <b>Rule Violation:</b>    | 501.90(2)               |                         |            |
|    | <b>Act Violations:</b>    | 901.502(6), 901.502(11) |                         |            |

Respondent entered into an ACO with the Board whereby the Board accepted Respondent's involuntary surrender of his certificate in lieu of further disciplinary proceedings. In addition, Respondent must pay \$35.73 in administrative costs within 30 days of the date of the Board Order. Respondent misappropriated funds from his employer.

- |    |                           |                                |                         |                      |
|----|---------------------------|--------------------------------|-------------------------|----------------------|
| 6. | <b>Investigation No.:</b> | <b>15-11-02L</b>               | <b>Hometown:</b>        | <b>Arlington, TX</b> |
|    | <b>Respondent:</b>        | <b>Timothy Lyle Pruden</b>     | <b>Certificate No.:</b> | <b>071687</b>        |
|    | <b>Rule Violations:</b>   | <b>501.90(2), 501.90(10)</b>   |                         |                      |
|    | <b>Act Violations:</b>    | <b>901.502(6), 901.502(11)</b> |                         |                      |

Respondent entered into an ACO with the Board whereby the Board accepted Respondent's involuntary surrender of his certificate in lieu of further disciplinary proceedings. In addition, Respondent must pay \$154.84 in administrative costs within 30 days of the date of the Board Order. Respondent misappropriated funds from his employer and made unauthorized credit card charges on the employer's credit card.

- |    |                           |                                |                         |                     |
|----|---------------------------|--------------------------------|-------------------------|---------------------|
| 7. | <b>Investigation No.:</b> | <b>15-03-33L</b>               | <b>Hometown:</b>        | <b>Beaumont, TX</b> |
|    | <b>Respondent:</b>        | <b>Craig James Schexnaider</b> | <b>Certificate No.:</b> | <b>019252</b>       |
|    | <b>Act Violation:</b>     | <b>901.502(2)(B)</b>           |                         |                     |

Respondent entered into an ACO with the Board whereby Respondent's certificate was revoked in lieu of further disciplinary action. Respondent failed to file his personal income tax return. Respondent pleaded guilty to one count of failing to file his federal income tax return and was sentenced to 12 months in prison and one year of supervised release and ordered to pay a \$5,000 fine and his tax liability.

**Technical Standards Review Committee**

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

- |    |                            |  |                          |                        |
|----|----------------------------|--|--------------------------|------------------------|
| 1. | <b>Investigation Nos.:</b> | <b>15-09-07L &amp; 15-09-08L</b>                         | <b>Hometown:</b>         | <b>Bridge City, TX</b> |
|    | <b>Respondents:</b>        | <b>John Peter Dubose &amp;<br/>John P. Dubose (Firm)</b> | <b>Certificate No.:</b>  | <b>018661</b>          |
|    | <b>Rule Violation:</b>     | <b>527.5</b>   | <b>Firm License No.:</b> | <b>S03739</b>          |
|    | <b>Act Violation:</b>      | <b>901.502(12)</b>                                       |                          |                        |

Respondents entered into an ACO with the Board whereby Respondents were reprimanded and subject to a scope limitation from the effective date of the Board Order until an application for removal of the limitation is found acceptable to the TSR Committee and ratified by the Board. Respondent Firm is prohibited from performing audits and reviews and no reports pertaining to compilation services are to be issued by Respondent Firm until they have been reviewed and accepted for release to a client by a pre-approved pre-issuance reviewer. Respondents must also pay administrative costs of \$952.88 within 30 days of the date of the Board Order and Respondent Dubose must complete an eight hour live CPE course in reviews and compilations within 90 days of the effective date of the Board Order. Respondent Firm has received three successive deficient peer reviews as defined under Board Rule 527.5.<sup>4</sup>

- |    |                            |  |                          |                    |
|----|----------------------------|--|--------------------------|--------------------|
| 2. | <b>Investigation Nos.:</b> | <b>15-12-18L &amp; 15-10-07L</b>   | <b>Hometown:</b>         | <b>Houston, TX</b> |
|    | <b>Respondents:</b>        | <b>Ronald Eugene KahaneK<br/>&amp; KahaneK, Franke &amp; Asso., L.C.</b> | <b>Certificate No.:</b>  | <b>021897</b>      |
|    | <b>Rule Violation:</b>     | <b>527.5</b>   | <b>Firm License No.:</b> | <b>C04027</b>      |
|    | <b>Act Violation:</b>      | <b>901.502(12)</b>   |                          |                    |

Respondents entered into an ACO with the Board whereby Respondents were Reprimanded, must pay administrative costs of \$952.88 within 30 days of the date of the order, and are subject to a scope limitation described below from the effective date of the Board Order until an application for removal of the limitation is found acceptable to the TSR Committee and ratified by the Board. Respondent Firm is prohibited from performing ERISA Employee Benefit Plan audits and audits that satisfy the Single Audit Act, as amended, and OMB Circular A-133 through fiscal year 2015 and the Uniform Guidance, effective beginning fiscal year 2016. Respondent Firm may perform reviews, compilations, and all other audits not prohibited above so long as they have been reviewed and accepted for release to a client by a pre-approved pre-issuance reviewer. Respondent Firm has received three successive deficient peer reviews as defined under Board Rule 527.5.<sup>4</sup>

- |    |                            |   |                          |                 |
|----|----------------------------|---|--------------------------|-----------------|
| 3. | <b>Investigation Nos.:</b> | 14-02-01L & 14-02-02L                             | <b>Hometown:</b>         | Bridge City, TX |
|    | <b>Respondents:</b>        | Larry Michael Webb &<br>Larry Michael Webb (Firm) | <b>Certificate No.:</b>  | 017812          |
|    | <b>Rule Violation:</b>     | 527.5   | <b>Firm License No.:</b> | S08976          |
|    | <b>Act Violation:</b>      | 901.502(12)                                       |                          |                 |

Respondents entered into an ACO with the Board whereby Respondents were placed on limited scope status as to compilations, audits and reviews from the date the Board ratifies this ACO until Respondents obtain a pass rating on an accelerated peer review or the Board approves Respondents' petition for removal of limited scope status. Respondents must engage a Board-approved accountant to pre-approve all compilations, audits and reviews before issuance by Respondents. Respondent Firm is ordered to obtain an accelerated peer review from the AICPA within six months of signing the ACO. If Respondent Firm passes the accelerated peer review, Respondents will be able to perform compilations and reviews without pre-issuance review; however, the scope of Respondents' practice would remain limited with regard to the pre-issuance review of audits. If Respondents obtain a score of fail, or pass with deficiencies on the accelerated peer review, then Respondents shall pay \$706.55 in administrative costs to the Board within 30 days of the date that Respondents obtain the peer review rating and shall continue to be required to utilize the pre-issuance reviewer to pre-approve all compilations, audits and reviews before issuance by Respondents until the Board approves Respondents' petition for removal of limited scope status. The terms of this ACO apply to any successor firms. Respondent Firm has received three successive deficient peer reviews as defined under Board *Rule 527.5*.

**B. Mass Hearings**

Mr. McAdams moved to approve the following Proposals for Decision as presented. Mr. Broadus 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
457-16-0024	15-10-10001 – 15-10-10017	November 17, 2015
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 *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
457-16-0025	15-10-10018 – 15-10-10188	November 17, 2015
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 *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
457-16-0026	15-08-10193 – 15-08-10203	November 17, 2015
457-16-0482	15-09-10199 – 15-09-10216	December 8, 2015

C. Proposed Default Judgment Board Order

Mr. Broaddus moved to approve the following Proposed Default Judgment Board Order as presented. Mr. B. 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 Violation:	501.90(5)		

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 *Rule 501.90(5)*; and, 2) Respondent's individual certificate be revoked.

XII. Mr. Cluck moved to adopt the following Board Rules. Mr. McAdams seconded the motion and it passed unanimously.

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

XIV. Mr. Baker adjourned the meeting at 11:12 a.m.

ATTEST:

\_\_\_\_\_  
J. Coalter Baker, CPA, Presiding Officer

\_\_\_\_\_  
Steve D. Peña, CPA, Secretary

<sup>1</sup> Mr. Broaddus, Mr. Cluck, Ms. Hugly, Mr. LaFrey, and Mr. B. Peña recused themselves from participating in this matter.

<sup>2</sup> Mr. Broaddus, Mr. Cluck, Mr. LaFrey, and Mr. B. Peña recused themselves from participating in this matter.

<sup>3</sup> Mr. Baker, Mr. Broaddus, Mr. Cluck, Ms. Hugly, and Mr. B. Peña recused themselves from participating in this matter.

<sup>4</sup> Mr. Duckworth, Mr. Johnson, Mr. S. Peña and Ms. Wilkerson recused themselves from participating in this matter.

<sup>5</sup> Mr. Duckworth and Mr. S. Peña recused themselves from participating in this matter.

III

## **Agenda Item III**

### **Report of the Executive Committee**

**May 11, 2016**

- A. Review and possible action on the Board's financial statements
- B. Budget Plan for FY 2017
- C. Review of NASBA/AICPA matters:
  - NASBA dates of interest:
    1. Western Regional Meeting – June 22 – 24, 2016 in Denver, CO.
    2. 109<sup>th</sup> Annual Meeting – October 30 – November 2, 2016 in Austin, TX
- D. Review of general correspondence
- E. Consideration of professional service contract
- F. Annual evaluation of the Executive Director



## **Agenda Item III**

### **Report of the Executive Committee**

**May 11, 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 Seven Months Ended March 31, 2016

0.41666667

	Actual	Budget YTD	Variance	Percent
Revenues - YTD	\$ 4,073,724	\$ 3,630,833	\$ 442,891	12.2%
Expenditures - YTD	\$ 2,972,277	\$ 3,192,403	\$ (220,126)	-6.9%
Net - YTD	1,101,447	438,430	663,017	
Transfer Out - SDSI annual payment (pro rata accrual)	\$ 410,284	\$ 410,284	\$ -	0.0%

- Revenues:** See *Revenue Budget Summary* for additional information
- revenue collected over budget by 12.2%
    - 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 under budget by -6.9%
    - See *Expenditure Budget Summary* for discussion of budget items.

EXHIBIT II	
Beginning Fund Balance 9/01/15	\$ 2,443,315
Revenues	4,073,724
Expenditures	(2,974,396)
Other Financing Sources (Uses)	(398,373)
Ending Fund Balance 03/31/16	\$ 3,144,270
net increase/(reduction) in FB	\$ 700,955

Budget Expenditures include encumbrances of \$0.00; EXH II expenditures include prior year expenditures of \$2,119.83.

**Performance Measures:**

	Sept. 15-Nov. 15	Dec. 15-Feb. 16	Mar. 16-May 16	June 16-Aug. 16	YTD	Target	%	FY 15
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.				
<b>Exam Related Measures:</b>								
Individuals examined	3,004	2,941			5,945	11,627	51%	11,512
Sections Taken	3,870	3,719			7,589	14,861	51%	15,528
Average Sections Taken per Individual	1.29	1.26	#DIV/0!	#DIV/0!	1.28	1.28	100%	1.35

**Licensing Related Measures:**

Number of individuals licensed	72,173	72,636			not cumulative	73,258	99%	72,158
Number of business facilities licensed (firms)	9,660	9,725			not cumulative	10,650	91%	9,758
Number of Peer Reviews conducted	345	339			684	1,241	55%	230

**Sponsor Review Program Related Measures:**

Number of CPE Sponsors Reviewed	43	48			91	203	45%	217
Number of CPE Sponsors Subject to Review	602	577			not cumulative	621	93%	607

**Enforcement Related Measures:**

	Sept. 15-Nov. 15	Dec. 15-Feb. 16	Mar. 16-May 16	June 16-Aug. 16	YTD	Target	%	FY 15
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.				
<b>Administrative:</b>								
Open cases, Beginning	1,046	886	1,078	1,078	1,046			1,059
Cases opened	632	629			1,261			2,594
Cases closed	(792)	(435)			(1,227)			(2,607)
Previous quarter adjustment		(2)			(2)			
Open cases, Ending	886	1,078	1,078	1,078	1,078			1,046
Average time for complaint resolution (days)	150.3	148.5			149.7	150	99%	154.2
<b>Disciplinary:</b>								
Open cases, Beginning	321	301	321	321	321			307
Cases opened	70	121			191			346
Cases closed	(92)	(103)			(195)			(315)
Previous quarter adjustment	2	2			4			(17)
Open cases, Ending	301	321	321	321	321			321
Average time for complaint resolution (days)	146.7	125.7			136.2	189	67%	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  
 March 31, 2016

	Governmental Fund Types				
	General Funds (EXH A-1)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents:					
Cash on Hand	\$ 17,269.15	\$ 17,269.15	\$ -	\$ -	\$ 17,269.15
Cash in Bank	-	-	-	-	-
Cash in Bank - Treasury Safekeeping Trust	17,915.20	17,915.20	-	-	17,915.20
Cash in State Treasury	847,854.35	847,854.35	-	-	847,854.35
Repurchase Agreement - Treasury Safekeeping Trust	3,204,348.35	3,204,348.35	-	-	3,204,348.35
Due From Other Funds - TTSTF (Note A)	-	-	-	-	-
Consumable Inventories	75,227.65	75,227.65	-	-	75,227.65
Total Current Assets	<u>4,162,614.70</u>	<u>4,162,614.70</u>	<u>-</u>	<u>-</u>	<u>4,162,614.70</u>
Non-Current Assets:					
Capital Assets:					
Depreciable					
Furniture and Equipment	-	-	124,481.56	-	124,481.56
Accumulated Depreciation	-	-	-	-	-
Vehicle, Boats, and Aircraft	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
Other Capital Assets	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
Other Non-Current Assets					
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>124,481.56</u>	<u>-</u>	<u>124,481.56</u>
Total Assets	<u>\$ 4,162,614.70</u>	<u>\$ 4,162,614.70</u>	<u>\$ 124,481.56</u>	<u>\$ -</u>	<u>\$ 4,287,096.26</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Current Liabilities:					
Payables From:					
Vouchers Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	128,074.85	128,074.85	-	-	128,074.85
Payroll Payable	276,496.87	276,496.87	-	-	276,496.87
Refunds Payable	(174.16)	(174.16)	-	-	(174.16)
Due To Other Funds - TTSTF (Note A)	58,612.00	58,612.00	-	-	58,612.00
Funds Held for Others	278,382.73	278,382.73	-	-	278,382.73
Employees Compensable Leave	-	-	-	120,945.66	120,945.66
Total Current Liabilities	<u>741,392.29</u>	<u>741,392.29</u>	<u>-</u>	<u>120,945.66</u>	<u>862,337.95</u>
Non-Current Liabilities:					
Employees Compensable Leave	-	-	-	222,656.36	222,656.36
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,656.36</u>	<u>222,656.36</u>
Total Liabilities	<u>741,392.29</u>	<u>741,392.29</u>	<u>-</u>	<u>343,602.02</u>	<u>1,084,994.31</u>
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>					
Fund Balances (Deficits):					
Nonspendable					
Committed:	75,227.65	75,227.65	-	-	75,227.65
Board Policy Reserve	2,044,009.00	2,044,009.00	-	-	2,044,009.00
Other	1,301,985.76	1,301,985.76	-	-	1,301,985.76
Total Fund Balances	<u>3,421,222.41</u>	<u>3,421,222.41</u>	<u>-</u>	<u>-</u>	<u>3,421,222.41</u>
Total Liabilities and Fund Balances	<u>\$ 4,162,614.70</u>	<u>\$ 4,162,614.70</u>	<u>-</u>	<u>-</u>	<u>\$ 3,421,222.41</u>
<b>GOVERNMENT-WIDE STATEMENT-NET ASSETS</b>					
Net Assets:					
Invested in Capital Assets, Net of Related Debt					
Restricted	-	-	124,481.56	-	124,481.56
Unrestricted	-	-	-	(343,602.02)	(343,602.02)
Total Net Assets	<u>-</u>	<u>-</u>	<u>\$ 124,481.56</u>	<u>\$ (343,602.02)</u>	<u>\$ 3,202,101.95</u>

\* Column totals should agree to Exhibit II column totals.

Note A: Transfers between accounts in TTSTC pending

State Board of Public Accountancy  
 Exhibit A-1 - Balance Sheet - All General and Consolidated Funds  
 March 31, 2016

Scholarship Fund

Operating Fund

	(1000) U/F (1002)	(0858) U/F (7106, 6106)	(1009) U/F (1009, 2858)	Total (EXH I)
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	\$ 2,650.00	\$ 244.17	\$ 14,374.98	\$ 17,269.15
Cash in Bank		-	-	-
Cash in Bank - Treasury Safekeeping Trust	1,200.00	120.00	16,595.20	17,915.20
Cash in State Treasury	83,437.50	59,395.30	705,021.55	847,854.35
Repurchase Agreement - Treasury Safekeeping Trust	191,095.23	217,192.93	2,796,060.19	3,204,348.35
Investments		-	-	-
Due From Other Funds		-	-	-
Consumable Inventories		-	75,227.65	75,227.65
<b>Total Current Assets</b>	<b>278,382.73</b>	<b>276,952.40</b>	<b>3,607,279.57</b>	<b>4,162,614.70</b>
Non-Current Assets:				
<b>Total Noncurrent Assets</b>				
<b>Total Assets</b>	<b>\$ 278,382.73</b>	<b>\$ 276,952.40</b>	<b>\$ 3,607,279.57</b>	<b>\$ 4,162,614.70</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Current Liabilities:				
Payables From:				
Vouchers Payable				
Accounts Payable	\$ -	\$ -	\$ 128,074.85	\$ 128,074.85
Payroll Payable		-	276,496.87	276,496.87
Refunds Payable		-	(174.16)	(174.16)
Due To Other Funds		-	58,612.00	58,612.00
Funds Held for Others	278,382.73	-	-	278,382.73
<b>Total Current Liabilities</b>	<b>278,382.73</b>	<b>-</b>	<b>463,009.56</b>	<b>741,392.29</b>
Non-Current Liabilities:				
Interfund Payables				-
<b>Total Non-Current Liabilities</b>				
<b>Total Liabilities</b>	<b>278,382.73</b>	<b>-</b>	<b>463,009.56</b>	<b>741,392.29</b>
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>				
Fund Balances (Deficits):				
Nonspendable			75,227.65	75,227.65
Committed:				
Board Policy Reserve			2,044,009.00	2,044,009.00
Other		276,952.40	1,025,033.36	1,301,985.76
<b>Total Fund Balances</b>		<b>276,952.40</b>	<b>3,144,270.01</b>	<b>3,421,222.41</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 278,382.73</b>	<b>\$ 276,952.40</b>	<b>\$ 3,607,279.57</b>	<b>\$ 4,162,614.70</b>

Check Figures:  
 Total Assets - Total Liab = Total Fund Balances

-	-	-	-
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**Texas State Board of Public Accountancy**  
**Exhibit II - Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances/Statement of Activities - Governmental Funds**  
For the Month Ending March 31, 2016

	General Funds (EXH A-2)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
<b>REVENUES</b>					
Licenses, Fees & Permits					
License Fees	3,984,626.11	3,984,626.11			3,984,626.11
Exam Fees	383,510.00	383,510.00			383,510.00
Other License, Fees & Permits	1,328.78	1,328.78			1,328.78
Sales of Goods and Services	-	-			-
Interest and Investment Income	2,315.15	2,315.15			2,315.15
Other	96,743.99	96,743.99			96,743.99
<b>Total Revenues</b>	<b>4,468,524.03</b>	<b>4,468,524.03</b>	<b>-</b>	<b>-</b>	<b>4,468,524.03</b>
<b>EXPENDITURES</b>					
Salaries and Wages	1,495,001.26	1,495,001.26		(10,660.95)	1,484,340.31
Payroll Related Costs	477,986.50	477,986.50			477,986.50
Professional Fees and Services	333,820.33	333,820.33			333,820.33
Travel	37,978.67	37,978.67			37,978.67
Materials and Supplies	113,970.54	113,970.54			113,970.54
Communication and Utilities	19,031.41	19,031.41			19,031.41
Repairs and Maintenance	57,098.59	57,098.59			57,098.59
Rentals & Leases	81,606.44	81,606.44			81,606.44
Printing and Reproduction	24,327.47	24,327.47			24,327.47
Claims and Judgments	-	-			-
Other Expenditures	215,298.78	215,298.78			215,298.78
State Pass Through Expenditures	662,916.00	662,916.00			662,916.00
Intergovernmental Payments	384,136.00	384,136.00			384,136.00
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	-	-			-
<b>Total Expenditures/Expenses</b>	<b>4,021,448.49</b>	<b>4,021,448.49</b>	<b>(10,776.50)</b>	<b>(10,660.95)</b>	<b>4,000,011.04</b>
Excess (Deficiency) of Revenues Over Expenditures	447,075.54	447,075.54	10,776.50	10,660.95	468,512.99
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Capital Assets	-	-			-
Net Change in Reserve for Inventories	12,688.94	12,688.94			12,688.94
Transfers In (Note 1.F.)	5,058,069.70	5,058,069.70			5,058,069.70
Transfers Out (Note 1.F.)	(5,469,171.17)	(5,469,171.17)			(5,469,171.17)
Gain (Loss) on Sale of Capital Assets	-	-			-
Increase/Decrease in Net Assets	-	-			-
Interagency Transfer of Capital Assets	-	-			-
<b>Total Other Financing Sources and Uses</b>	<b>(398,412.53)</b>	<b>(398,412.53)</b>	<b>-</b>	<b>-</b>	<b>(398,412.53)</b>
<b>SPECIAL ITEMS</b>					
<b>EXTRAORDINARY ITEMS</b>					
Net Change in Fund Balances/Net Assets	48,663.01	48,663.01	10,776.50	10,660.95	70,100.46
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>					
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--March 31, 2016	\$ 3,421,222.41	\$ 3,421,222.41	\$ 10,776.50	\$ 10,660.95	\$ 3,442,659.86
<b>GOVERNMENT-WIDE STATEMENT-NET ASSETS</b>					
Change in Net Assets		3,421,222.41	10,776.50	10,660.95	3,442,659.86
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--March 31, 2016			\$ 124,481.56	\$ (343,602.02)	\$ 3,202,101.95

\*Column totals should agree to Exhibit I column totals

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 Year Ending March 31, 2016

	General Revenue			Memorandum Only			
	(0858)	(1009)	Total	(0858)	(1009)	Total	Difference
	U/F (7106, 6106)	U/F (1009, 2858)	(EXH II)	U/F (6106, 7106) FY 15	U/F (0858, 1009, 2858) FY 15	FY 15	
<b>REVENUES</b>							
Licenses, Fees & Permits:							
Licenses, Fees	\$ 394,503.25	\$ 3,590,122.86	\$ 3,984,626.11	\$ 386,178.25	\$ 2,960,868.51	\$ 3,347,046.76	637,579.35 A
Exam Fees	-	383,510.00	383,510.00	-	326,400.00	326,400.00	57,110.00 B
Other License, Fees & Permits	-	1,328.78	1,328.78	-	1,444.16	1,444.16	(115.38)
Sales of Goods and Services	-	-	-	-	-	-	-
Interest and Investment Income	297.20	2,017.95	2,315.15	186.30	486.24	672.54	1,642.61 C
Other	-	96,743.99	96,743.99	-	13,303.40	13,303.40	63,440.59
<b>Total Revenues</b>	<b>394,800.45</b>	<b>4,073,723.58</b>	<b>4,468,524.03</b>	<b>386,364.55</b>	<b>3,302,502.31</b>	<b>3,688,866.86</b>	<b>779,657.17</b>
<b>EXPENDITURES</b>							
Salaries and Wages	-	1,495,001.26	1,495,001.26	-	1,449,851.93	1,449,851.93	45,149.33 D
Payroll Related Costs	-	477,986.50	477,986.50	-	432,887.94	432,887.94	45,098.56 E
Professional Fees and Services	-	333,820.33	333,820.33	-	379,993.74	379,993.74	(46,173.41) F
Travel	-	37,978.67	37,978.67	-	42,785.51	42,785.51	(4,806.84)
Materials and Supplies	-	113,970.54	113,970.54	-	121,231.40	121,231.40	(7,260.86)
Communication and Utilities	-	19,031.41	19,031.41	-	18,241.25	18,241.25	790.16
Repairs and Maintenance	-	57,098.59	57,098.59	-	32,570.92	32,570.92	24,527.67 G
Rentals & Leases	-	81,606.44	81,606.44	-	73,426.22	73,426.22	8,180.22
Printing and Reproduction	-	24,327.47	24,327.47	-	38,698.26	38,698.26	(14,370.79)
Claims and Judgments	-	-	-	-	-	-	-
Other Expenditures	-	215,298.78	215,298.78	-	323,936.04	323,936.04	(108,637.26) H
State Pass Through Expenditures	662,916.00	-	662,916.00	709,955.00	-	709,955.00	(47,039.00) I
Intergovernmental Payments	384,138.00	-	384,138.00	283,424.00	-	283,424.00	100,712.00
Public Assistance Payments	-	107,500.00	107,500.00	-	107,500.00	107,500.00	-
Capital Outlay	-	10,776.50	10,776.50	-	13,718.00	13,718.00	(2,941.50)
Depreciation Expense	-	-	-	-	-	-	-
<b>Total Expenditures/Expenses</b>	<b>1,047,052.00</b>	<b>2,974,396.49</b>	<b>4,021,448.49</b>	<b>993,379.00</b>	<b>3,034,841.21</b>	<b>4,028,220.21</b>	<b>(6,771.72)</b>
Excess (Deficiency) of Revenues Over Expenditures	(652,251.55)	1,099,327.09	447,075.54	(607,014.45)	267,661.10	(339,353.35)	786,428.89
<b>OTHER FINANCING SOURCES (USES)</b>							
Change in Reserve for Inventories	-	12,688.94	12,688.94	-	(9,888.58)	(9,888.58)	22,577.52
Transfers In (Note 1.F.)	1,106,487.30	3,951,582.40	5,058,069.70	1,026,252.63	4,159,575	5,185,827.58	(127,757.88)
Transfers Out (Note 1.F.)	(1,106,527.30)	(4,362,643.87)	(5,469,171.17)	(1,026,402.63)	(4,617,294.45)	(5,543,697.08)	74,525.91
Gain (Loss) on Sale of Capital Assets	-	-	-	-	0.00	-	-
<b>Total Other Financing Sources and Uses</b>	<b>(40.00)</b>	<b>(398,372.53)</b>	<b>(398,412.53)</b>	<b>(150.00)</b>	<b>(367,608.08)</b>	<b>(367,758.08)</b>	<b>(30,654.45)</b>
<b>SPECIAL ITEMS</b>							
<b>EXTRAORDINARY ITEMS</b>							
Net Change in Fund Balances/Net Assets	(652,291.55)	700,954.56	48,663.01	(607,164.45)	(99,946.98)	(707,111.43)	755,774.44
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>							
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	-	-	-	-	-	-	-
<b>Fund Balances--March 31, 2016</b>	<b>\$ 276,952.40</b>	<b>\$ 3,144,270.01</b>	<b>\$ 3,421,222.41</b>	<b>\$ 789,568.70</b>	<b>\$ 2,503,956.07</b>	<b>\$ 3,293,524.77</b>	<b>\$ 127,697.64</b>

- 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 Repairs and Maintenance higher - annual maintenance agreements for purchase of computer equipment/software
- H Other Expenditures lower - Texas Online costs lower due to elimination of Professional Fee
- I State Pass Through Expenditures lower - based on university requests for funds
- Intergovernmental Payments higher - based on private college requests for funds

UNAUDITED

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

	Beginning Balance September 1, 2015	Additions	Deductions	Ending Balance March 31, 2016
<b>UNAPPROPRIATED RECEIPTS</b>				
<b>General Revenue Fund (0001) U/F (0002)</b>				
<b>ASSETS</b>				
Current				
Cash on Hand	\$ 4,850.00	\$ 922,296.17	\$ 924,496.17	\$ 2,650.00
Cash in Bank - Trust	3,000.00	11,636.28	13,436.28	1,200.00
Cash in State Treasury	-	2,348,683.17	2,265,245.67	83,437.50
Repurchase Agreement - Treasury Safekeeping Trust	521,351.60	4,880,741.93	5,210,998.30	191,095.23
Due From Other Funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 529,201.60</b>	<b>\$ 8,163,357.55</b>	<b>\$ 8,414,176.42</b>	<b>\$ 278,382.73</b>
<b>LIABILITIES</b>				
Current				
Payables	\$ -	\$ -	\$ -	\$ -
Funds Held for Others	529,201.60	8,163,357.55	8,414,176.42	278,382.73
<b>Total Liabilities</b>	<b>\$ 529,201.60</b>	<b>\$ 8,163,357.55</b>	<b>\$ 8,414,176.42</b>	<b>\$ 278,382.73</b>
<b>Local Jurisdictions Sales Tax (0882) U/F (0882)</b>				
<b>ASSETS</b>				
Current				
Cash on Hand	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-	-	-	-
Short Term Investments	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Current				
Payables	\$ -	\$ -	\$ -	\$ -
Funds Held for Others	-	-	-	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Current				
Cash on Hand	\$ 4,850.00	\$ 922,296.17	\$ 924,496.17	\$ 2,650.00
Cash in Bank - Trust	\$ 3,000.00	\$ 11,636.28	\$ 13,436.28	\$ 1,200.00
Cash in State Treasury	-	2,348,683.17	2,265,245.67	83,437.50
Repurchase Agreement - Treasury Safekeeping Trust	521,351.60	4,880,741.93	5,210,998.30	191,095.23
Due From Other Funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 529,201.60</b>	<b>\$ 8,163,357.55</b>	<b>\$ 8,414,176.42</b>	<b>\$ 278,382.73</b>
<b>LIABILITIES</b>				
Current				
Payables	\$ -	\$ -	\$ -	\$ -
Funds Held for Others	\$ 529,201.60	\$ 8,163,357.55	\$ 8,414,176.42	278,382.73
<b>Total Liabilities</b>	<b>\$ 529,201.60</b>	<b>\$ 8,163,357.55</b>	<b>\$ 8,414,176.42</b>	<b>\$ 278,382.73</b>

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 March 31, 2016

	FY 2016
<b>BEGINNING FUND BALANCE - September 1, 2015</b>	<b>\$ 929,243.95</b>
<b>Total Scholarship Fund Revenue</b>	<b>\$ 394,800.45</b>
<b>State Pass Through Expenditures (EXH A-2)</b>	
State University Payments:	
Angelo State University	\$ 14,000.00
Lamar University	2,500.00
Prairie View A&M University	18,000.00
Midwestern State University	3,918.00
Sam Houston State University	19,811.00
Stephen F. Austin State University	26,435.00
Texas A&M University	75,098.00
Texas A&M International University	12,000.00
Texas A&M University - Commerce	6,000.00
Texas A&M University - San Antonio	9,000.00
Texas State University	47,384.00
Texas Tech University	47,539.00
Texas Woman's University	3,000.00
University of Houston	54,215.00
University of Houston - Clear Lake	9,000.00
University of Houston - Downtown	66,700.00
University of Houston - Victoria	4,000.00
University of North Texas	21,000.00
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	31,567.00
University of Texas at San Antonio	17,500.00
University of Texas Rio Grande Valley	18,445.00
University of Texas at Tyler	7,500.00
University of Texas of the Permian Basin	4,000.00
West Texas A&M University	7,500.00
<b>Total State University Payments</b>	<b>670,416.00</b>
State University Refunds:	
University of Texas at Arlington	(7,500.00)
<b>Total State University Refunds</b>	<b>(7,500.00)</b>
<b>State Pass Through Expenditures (EXH A-2)</b>	<b>\$ 662,916.00</b>

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

For the Month Ending March 31, 2016

FY 2016
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**Intergovernmental Payments (EXH A-2)**

Junior College/ Private University Payments:

Austin Community College	\$ 7,000.00
Abilene Christian University	26,785.00
Baylor University	44,242.00
Dallas Baptist University	17,929.00
Hardin-Simmons University	2,000.00
Houston Baptist University	11,428.00
Houston Community College System	21,950.00
Howard Payne University	8,404.00
Lone Star College System	14,536.00
Our Lady of the Lake - San Antonio	7,500.00
Schreiner University	6,000.00
Southern Methodist University	43,312.00
St. Edward's University	5,000.00
St. Mary's University	6,000.00
Texas Christian University	47,969.00
Texas Lutheran University	21,000.00
Texas Wesleyan University	12,000.00
Trinity University	24,567.00
University of Dallas	20,184.00
University of the Incarnate Word	35,330.00
University of St. Thomas	6,000.00

Total Junior College/ Private University Payments:	<u>389,136.00</u>
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Junior College/ Private Univ. Refunds:

Texas Wesleyan University	(5,000.00)
Total Junior College/ Private University Refunds:	<u>\$ (5,000.00)</u>

**Intergovernmental Payments (EXH. A-2)**

**384,136.00**

**Other Financing Sources/Uses**

Scholarship Refunds	(40.00)
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**Total Other Financing Sources/Uses (EXH. A-2)**

**\$ (40.00)**

**ENDING FUND BALANCE - March 31, 2016**

**\$ 276,952.40**

UNAUDITED

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

SCHEDULE B  
STATEMENT OF PENALTIES ASSESSED \ CONTRIBUTIONS  
For the Month Ending March 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		3,600.00		3,600.00
Savage, Jack W.	1,558.31			1,558.31
Ramsay, Linda Fischer	211.84			211.84
Shah, Sudhir P.	107.20	500.00		607.20
Spinelli, Elizabeth A.	225.14	2,500.00		2,725.14
Towey, James J.	139.37	1,000.00		1,139.37
Styles, Michael	96.48	10,000.00		10,096.48
Garcia, Richard J.	117.03			117.03
Fromm, Richard A.	214.40	1,000.00		1,214.40
Dulock, Tracy J.	250.00			250.00
Dubose, John P.	952.88			952.88
Hood, Larry L.	386.34			386.34
McLean, Robert	96.48	5,000.00		5,096.48
Horton, Jason L.	125.06			125.06
Kimball, Johanna E.	302.53	1,000.00		1,302.53
Smith, Charles E.	160.81	1,500.00		1,660.81
Turner, Michael M.	107.19			107.19
Dulweber, Mark E.	1,286.52	2,000.00		3,286.52
Gregory, H. Morris	107.20			107.20
Pruden, Timothy L.	154.84			154.84
Nederman, Donald W.	35.73			35.73
Traylor, Cynthia	791.44			791.44
Peoples, Brendan	165.34			165.34
Jordan, Richard	53.15			53.15
Heredia, Joe D.	416.88			416.88
Best, Raymond H.	95.28			95.28
Kahanek, Ronald E.	952.88			952.88
<b>TOTAL PENALTIES ASSESSED \ CONTRIBUTIONS</b>	<b>9,110.32</b>	<b>28,100.00</b>	<b>0.00</b>	<b>37,210.32</b>
LESS: Payments Received:				
Mock, Ronald		(200.00)		(200.00)
Bradley, Martin L.		(100.00)		(100.00)
Freeman, Ricky C.		(250.00)		(250.00)
Burris, Carl		(400.00)		(400.00)
BDO USA, LLP	(83,333.33)	(883,333.67)		(966,667.00)
Mock, Ronald E.		(200.00)		(200.00)
Bradley, Martin L.		(100.00)		(100.00)
Spinelli, Elizabeth A.	(225.14)	(2,500.00)		(2,725.14)
Burris, Carl		(800.00)		(800.00)
Towey, James J.	(139.37)	(1,000.00)		(1,139.37)
Tegbe, Anthony	(2,000.00)			(2,000.00)
Mock, Ronald E.		(200.00)		(200.00)
Bradley, Martin L.		(100.00)		(100.00)
Savage, Jack W.	(1,558.31)			(1,558.31)
Ramsay, Linda Fischer	(211.84)			(211.84)
Shah, Sudhir P.	(107.20)	(500.00)		(607.20)
Wilkins, Alison	(359.07)			(359.07)
Mock, Ronald E.		(200.00)		(200.00)
Bradley, Martin L.		(400.00)		(400.00)
Styles, Michael	(96.48)	(10,000.00)		(10,096.48)
Wilkins, Alison	(718.14)			(718.14)
Burris, Carl		(400.00)		(400.00)
Dulock, Tracy J.	(250.00)			(250.00)
Dubose, John P.	(952.88)			(952.88)
Hood, Larry L.	(386.34)			(386.34)
Mock, Ronald E.		(200.00)		(200.00)
Bradley, Martin L.		(1,000.00)		(1,000.00)
Wilkins, Alison	(222.79)	(136.28)		(359.07)
Gregory, H. Morris	(107.20)			(107.20)
Pruden, Timothy L.	(154.84)			(154.84)
Garcia, Richard J.	(117.03)			(117.03)
Mock, Ronald E.		(200.00)		(200.00)
Bradley, Martin L.		(1,000.00)		(1,000.00)
McLean, Robert J.	(96.48)	(328.23)		(424.71)
Burris, Carl		(400.00)		(400.00)
Smith, Charles E.	(160.81)	(1,500.00)		(1,660.81)
Fromm, Richard A.	(214.40)	(1,000.00)		(1,214.40)
Turner, Michael	(107.19)			(107.19)
Dulweber, Mark E.	(1,286.52)	(2,000.00)		(3,286.52)
Nederman, Donald W.	(35.73)			(35.73)
Traylor, Cynthia S.	(791.44)			(791.44)
Peoples, Brendan	(165.34)			(165.34)
Jordan, Richard	(53.15)			(53.15)
Mock, Ronald E.		(200.00)		(200.00)
Wilkins, Alison		(359.07)		(359.07)
McLean, Robert J.		(424.71)		(424.71)
<b>TOTAL PAYMENTS RECEIVED</b>	<b>(93,851.02)</b>	<b>(909,431.96)</b>	<b>0.00</b>	<b>(1,003,282.98)</b>

UNAUDITED

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

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

	DAC 19160	ADMIN PENALTY 37700	INTEREST/ RTN CK FEES 19920/31100	TOTAL
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 - March 31, 2016	\$108,120.13	\$939,309.34	\$75.00	\$1,047,504.47

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY**

Revenue Budget Summary

September 1, 2015 - March 31, 2016

Agency-wide Budget

Revenue	Current Period	YTD	Annual	Target = 58.33%	Budget
	Actual	Actual	Budget	% Budget Collected	Uncollected
CPA License	\$ 314,107	2,248,304	\$ 3,746,609	60.01%	\$ 1,498,305
CPE Sponsor Fee	\$ 23,800	204,600	388,709	52.64%	184,109
Firm Office License	\$ 102,366	709,238	922,388	76.89%	213,150
Penalties - Late Payment	\$ 45,642	331,204	241,897	136.92%	(89,307)
Exam Fees - CBT	\$ 67,800	375,390	575,980	65.17%	200,590
Other Collections	\$ 15,257	204,988	348,702	58.79%	143,714
<b>Total Revenue</b>	<b>\$ 568,972</b>	<b>4,073,724</b>	<b>\$6,224,285</b>	<b>65.45%</b>	<b>\$ 2,150,561</b>

  

Expenses	Current Period	YTD	Annual	Target = 41.66%	Variance
	Actual	Actual	Budget	% Budget Remaining	
<b>Total Expenses</b>	<b>\$ 412,600</b>	<b>\$ 2,972,277</b>	<b>\$ 5,472,691</b>	<b>45.69%</b>	<b>\$ 2,500,414</b>

  

<b>Excess/Deficiency of Revenue over Expenses</b>	<b>\$ 156,372</b>	<b>\$ 1,101,447</b>	<b>\$ 751,594</b>		
<b>Transfers Out:</b>					
Texas Govt Code, Chap 472	\$ (58,612)	\$ (410,184)	\$ (703,344)		
Board Rule 519.8	\$ -	\$ -	\$ -		
Total Transfers Out	<u>(58,612)</u>	<u>(410,184)</u>	<u>(703,344)</u>		
<b>Balance Contingency - YTD</b>	<b>\$ 97,760</b>	<b>\$ 691,263</b>	<b>\$ 48,250</b>		

Texas State Board of Public Accountancy

Encumbrance Budget Report  
From 3/1/2016 Through 3/31/2016

TARGET REMAINING  
= 41.67%

Account Code	Account Title	Current Period Revenue	YTD Revenue	Total Budget	Variance	% Budget Remaining
01LIC	CPA License					
11000	3175 - CPA License	7,334.58	58,111.50	0.00	58,111.50	(100.00)%
11300	3175 OL-CPA License	306,772.76	2,190,192.13	3,746,609.00	(1,556,416.87)	41.54%
Total 01LIC	CPA License	314,107.34	2,248,303.63	3,746,609.00	(1,498,305.37)	39.99%
02SRP	CPE Sponsor Review					
17100	3175 - CPE Sponsor Fee	23,800.00	204,350.00	388,709.00	(184,359.00)	47.42%
17110	3175 - CPE Ethics Instructor Fee	0.00	250.00	0.00	250.00	(100.00)%
Total 02SRP	CPE Sponsor Review	23,800.00	204,600.00	388,709.00	(184,109.00)	47.36%
03FOL	Firm Office License					
11100	3175 - Practice Units (Office Fee)	17,790.40	120,285.10	255,591.20	(135,306.10)	52.93%
11101	3175 - Practice Units (Off. Fee) Refund	0.00	0.00	(53.00)	53.00	100.00%
11102	3175 - Practice Units - Online	44,977.66	250,132.68	383,386.80	(133,254.12)	34.75%
11200	3175 - Firm Organization Fees	16,542.90	127,200.55	149,871.20	(22,670.65)	15.12%
11202	3175 - Firm Organization Fee - Online	23,055.00	211,620.00	133,591.80	78,028.20	(58.40)%
Total 03FOL	Firm Office License	102,365.96	709,238.33	922,388.00	(213,149.67)	23.11%
04LPF	Late Payment Fees					
11050	3175 - CPA Penalty	29,306.50	224,472.50	132,985.00	91,487.50	(68.79)%
11150	3175 - Practice Unit (Off. Fee) Penalty	5,400.00	19,243.90	109,070.00	(89,826.10)	82.35%
11151	3175 - Practice Unit Pen. Ref	0.00	0.00	(158.00)	158.00	100.00%
11152	3175 - Practice Unit Pen - Online	5,100.00	23,350.00	0.00	23,350.00	(100.00)%
11400	3175 OL- CPA Penalty	5,835.50	64,137.50	0.00	64,137.50	(100.00)%
Total 04LPF	Late Payment Fees	45,642.00	331,203.90	241,897.00	89,306.90	(36.92)%
05CBT	Exam Fees - CBT					
24100	3175 - Evaluation Fee (AOI)	18,580.00	135,370.00	226,320.00	(90,950.00)	40.18%
24200	3175 - Transfer Fee - Some Sections	0.00	0.00	0.00	0.00	0.00%
24300	3175 - Transfer Fee - All Sections	240.00	3,140.00	0.00	3,140.00	(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	13,420.00	59,780.00	88,091.00	(28,311.00)	32.13%
24502	3175 - OL Exam Eligibility Fee - BEC	10,720.00	56,020.00	96,831.00	(40,811.00)	42.14%
24600	3175 - Exam Eligibility Fee - FAR	0.00	0.00	0.00	0.00	0.00%
24602	3175 - OL Exam Eligibility Fee - FAR	11,940.00	61,920.00	79,353.00	(17,433.00)	21.96%
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 3/1/2016 Through 3/31/2016

Account Code	Account Title	Current Period Revenue	YTD Revenue	Total Budget	Variance	% Budget Remaining
24702	3175 - OL Exam Eligibility Fee - REG	12,900.00	59,160.00	85,385.00	(26,225.00)	30.71%
Total 05CBT	Exam Fees - CBT	67,800.00	375,390.00	575,980.00	(200,590.00)	34.83%
060TH	Other Collections					
12000	3175 - Public Accountant Lic.	15.00	30.00	53.00	(23.00)	43.39%
12010	3175 - Certificate Fee	8,650.00	58,000.00	92,487.00	(34,487.00)	37.28%
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	4,700.00	38,500.00	30,504.00	7,996.00	(26.21)%
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	0.00	93,933.99	203,748.00	(109,814.01)	53.89%
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	800.00	8,120.00	8,352.00	(232.00)	2.77%
25000	3852 - Interest Income	513.88	2,017.95	1,000.00	1,017.95	(101.79)%
31020	3719 - Sales of Lists	273.00	1,208.78	2,000.00	(791.22)	39.56%
31040	3719 - Miscellaneous Copies	40.00	120.00	500.00	(380.00)	76.00%
31100	3775 - Returned Check Fees	15.00	135.00	253.00	(118.00)	46.64%
32100	3802 - Lettering Of CPA Cert.	50.00	1,550.00	3,000.00	(1,450.00)	48.33%
32111	3802 - Lettering of CPA Cert. Refd	0.00	0.00	(52.00)	52.00	100.00%
34100	3802 - AICPA Regrades	200.00	650.00	0.00	650.00	(100.00)%
Total 060TH	Other Collections	15,256.88	204,987.72	348,702.00	(143,714.28)	41.21%
Report Total		568,972.18	4,073,723.58	6,224,285.00	(2,150,561.42)	34.55%

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY**

Expenditure Budget Summary

September 1, 2015 - March 31, 2016

Target Percentage = 41.66%

**Agency-wide Budget**

	Current Period Actual	Encumbrance	YTD Actual	Annual Budget	% Budget Remaining	Variance
<b>Committed Budget</b>						
Major Case Budget:						
Expert Witnesses	\$6,482	\$0	\$46,884	\$255,000	81.61%	\$208,116
Other Major Case - AG	\$1,036	\$0	\$7,255	\$37,500	80.65%	\$30,245
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
<b>Total Major Case</b>	<b>\$7,518</b>	<b>\$0</b>	<b>\$54,139</b>	<b>\$292,500</b>	<b>81.49%</b>	<b>\$238,361</b>
Information Systems Equip/Prof. Fees	\$8,455	\$0	\$56,949	\$72,829	21.80%	\$15,880
Information Systems - Capital Outlay	\$0	\$0	\$10,777	\$173,671	93.79%	\$162,895
Sponsor Review Program	\$30,362	\$0	\$153,632	\$275,785	44.29%	\$122,153
<b>Operating Budget</b>	<b>\$277,284</b>	<b>\$0</b>	<b>\$2,085,097</b>	<b>\$3,556,836</b>	<b>41.38%</b>	<b>\$1,471,739</b>
			TARGET		41.66%	
			YTD Surplus/Deficit		-0.28%	(\$10,039)
<b>Indirect Costs Budget</b>						
Payroll Related Costs	\$70,215	\$0	\$477,987	\$845,170	43.44%	\$367,184
Building Rent	\$8,196	\$0	\$57,371	\$92,271	37.82%	\$34,900
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	\$73,988	\$128,896	42.60%	\$54,908
<b>Total Indirect Costs Budget</b>	<b>\$88,981</b>	<b>\$0</b>	<b>\$611,682</b>	<b>\$1,101,069</b>	<b>44.45%</b>	<b>\$489,387</b>
<b>Total Agency Budget</b>	<b>\$412,600</b>	<b>\$0</b>	<b>\$2,972,277</b>	<b>\$5,472,691</b>	<b>45.69%</b>	<b>\$2,500,414</b>

**Departmental Budget**

	Current Period Actual	Encumbrance	YTD Actual	Annual Budget	% Budget Remaining	Variance
CPE	\$17,053	\$ -	\$ 119,315	\$190,301	37.30%	70,986
Licensing	\$53,973	\$ -	\$ 380,392	\$625,284	39.16%	244,892
Qualifications	\$41,225	\$ -	\$ 279,740	\$503,051	44.39%	223,311
Enforcement	\$81,789	\$ -	\$ 582,494	\$899,163	35.22%	316,669
Enforcement - Major Cases (EXP. WITNESS)	\$6,482	\$ -	\$ 46,884	\$255,000	81.61%	208,116
Enforcement - Major Cases (AG)	\$1,036	\$ -	\$ 7,255	\$37,500	80.65%	30,245
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	\$9,805	\$ -	\$ 70,704	\$116,918	39.53%	46,214
Sponsor Review Program	\$30,362	\$ -	\$ 153,632	\$275,785	44.29%	122,153
Public Education	\$14,039	\$ -	\$ 224,251	\$528,728	57.59%	304,477
Central Administration	\$28,324	\$ -	\$ 198,307	\$449,681	55.90%	251,375
Financial & Personnel	\$33,831	\$ -	\$ 239,349	\$486,057	50.76%	246,708
Information Resources	\$75,238	\$ -	\$ 509,867	\$868,361	41.28%	358,495
Operating Support	\$19,443	\$ -	\$ 160,087	\$236,860	32.41%	76,773
Information Systems Equipment/Exceptional Items	\$0	\$ -	\$ -	\$0	0.00%	0
<b>Total Agency Budget</b>	<b>\$412,600</b>	<b>\$ -</b>	<b>\$ 2,972,277</b>	<b>\$5,472,691</b>	<b>45.69%</b>	<b>2,500,414</b>
Proof (Dept Total = Agency Total)	\$0	\$0	\$0	\$0	0.00%	\$0.00

Information Systems Equipment Budget is allocated to departmental budgets.

Texas State Board of Public Accountancy

Encumbrance Budget Report  
From 3/1/2016 Through 3/31/2016

TARGET  
= 41.67%

Account Code	Account Title	Current Period Expenditures	YTD Expenditures	YTD Encumbrances	Total Budget	Variance	% Budget Remaining
L1001	Sal & Wages - Comp. Per Diem	240.00	2,670.00	0.00	5,987.00	3,317.00	55.40% ✓
L1002	Sal & Wages - Employees	216,646.71	1,486,138.15	0.00	2,629,108.00	1,142,969.85	43.47% ✓
L1003	Sal & Wages - Ben Replace Pay	422.76	6,943.11	0.00	10,083.77	3,140.66	31.14% OK
M9000	Payroll Related Costs (IC)	70,215.34	477,986.50	0.00	845,170.00	367,183.50	43.44% ✓
N2005	Prof Fees-Legal Services-Major	1,036.43	7,255.01	0.00	37,500.00	30,244.99	80.65% ✓
N2007	Prof Fees - Fin/Acctg. Svcs.	0.00	495.00	0.00	27,823.00	27,328.00	98.22% ✓
N2008	Prof Fees - Expert Witnesses	6,482.00	46,884.43	0.00	255,000.00	208,115.57	81.61% ✓
N2009	Prof Fees - PROB	4,029.27	29,599.71	0.00	57,368.91	27,769.20	48.40% ✓
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	8,455.25	56,949.25	0.00	72,828.97	15,879.72	21.80% (A)
N2019	Prof Fees - Other	14,321.85	101,258.60	0.00	76,500.00	(24,758.60)	(32.36)% (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	17,187.50	61,530.86	0.00	113,034.00	51,503.14	45.56% ✓
P2001	Travel-In State-Board Mbrs.	5,110.36	29,851.09	0.00	41,487.04	11,635.95	28.04%
P2002	Travel-In State-Employees	0.00	929.49	0.00	6,969.36	6,039.87	86.66%
P2003	Travel-In State-Adv Comm Mbrs	0.00	873.87	0.00	5,531.54	4,657.67	84.20%
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	4,948.19	8,840.70	0.00	10,000.56	1,159.86	11.59%
Q2001	Material & Supplies	3,784.74	27,661.11	0.00	81,435.70	53,774.59	66.03% ✓
Q2005	Matls/Supp - Office Meter Post	11,583.49	81,084.43	0.00	139,001.82	57,917.39	41.66% ✓
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	2,721.20	19,031.41	0.00	37,699.76	18,668.35	49.51% ✓
S2001	Repairs & Maint-Annual Confs.	6,551.30	54,284.61	0.00	45,000.00	(9,284.61)	(20.63)% (C)
S2005	Repairs & Maintenance - Other	106.32	1,741.98	0.00	7,970.07	6,228.09	78.14% ✓
T2001	Rentals & Leases-Furn/Eqpt	1,633.90	11,500.00	0.00	20,686.62	9,186.62	44.40% ✓
T2004	Rentls & Leases-Furn/Eqpt SIC	0.00	3,354.00	0.00	5,207.12	1,853.12	35.58% OK 2x r/w
T2013	Rental & Leases-Other Space	663.66	5,331.62	0.00	9,728.16	4,396.54	45.19% ✓
T2015	Rental & Leases - SIC	0.00	3,498.00	0.00	7,191.00	3,693.00	51.35% ✓
T2018	Rental & Leases-Ofc Bldg (IC)	8,195.83	57,370.82	0.00	97,271.00	39,900.18	41.01% ✓
U2001	Printing & Reproduction	1,782.00	12,805.19	0.00	45,900.00	33,094.81	72.10% ✓
U2002	Printing of Board Report	0.00	11,522.28	0.00	47,753.94	36,231.66	75.87% ✓
W2001	OOE - Membership Fees	0.00	6,200.00	0.00	8,603.02	2,403.02	27.93% (D)
W2003	OOE - Registration Fees	0.00	6,114.50	0.00	13,062.00	6,947.50	53.18% ✓
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.	296.06	1,659.91	0.00	6,000.00	4,340.09	72.33% ✓
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

Texas State Board of Public Accountancy

Encumbrance Budget Report  
From 3/1/2016 Through 3/31/2016

Account Code	Account Title	Current Period Expenditures	YTD Expenditures	YTD Encumbrances	Total Budget	Variance	% Budget Remaining
W2013	OOE - Employee Awards	0.00	332.50	0.00	1,000.00	667.50	66.75% ✓
W2014	OOE - Wit. Fees & Invest Cost	937.39	937.39	0.00	0.00	(937.39)	(100.00)% (F)
W2020	OOE - Other Fees & Charges	1,544.49	23,886.60	0.00	29,999.98	6,113.38	20.37% (G)
W2021	OE - TX Online Processing Fees	13,134.66	91,276.56	0.00	153,176.00	61,899.44	40.41% ✓
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	73,988.25	0.00	128,896.00	54,907.75	42.59% ✓
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		412,600.45	2,972,276.66	0.00	5,472,690.69	2,500,414.03	45.69%

III-20

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY**

Budget Var.      a Explanations  
For the Seven Months Ending March 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	\$ 56,949.25	\$ 15,879.72	21.80% budget remaining: assistance with Rules of Professional Conduct online exam implementation
B	Prof Fees - Other	\$ 76,500	\$ 101,258.60	\$ (24,758.60)	-32.36% budget remaining: increase in cases referred to litigator for prosecution
C	Repairs & Maintenance - Annual Contracts	\$ 45,000	\$ 54,284.61	\$ (9,284.61)	-20.63% budget remaining: lump sum payments for annual contracts; IBM operating system V6R1 support for FY 16; IBM software maintenance renewal contracts for IBM Power 720 units (2).
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 - Witness Fees & Invest. Cost	\$ -	\$ 937.39	\$ (937.39)	-100.00% budget remaining: copies of transcripts
G	OOE - Other Fees & Charges	\$ 30,000	\$ 23,886.60	\$ 6,113.38	20.38% budget remaining: lump sum payment for D&O insurance

11-21

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**

**May 11, 2016**

B. Budget Plan for FY 2017

**DISCUSSION:** Mr. McAdams, Treasurer, will present the Board's Budget Plan for FY 2017.

**RECOMMENDATION:** None by staff

**SUGGESTED MOTION:** None by staff



## **Agenda Item III**

### **Report of the Executive Committee**

**May 11, 2016**

#### **C. Review of NASBA/AICPA matters**

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

- **NASBA dates of interest:**
  1. Western Regional Meeting – June 22-24, 2016 in Denver, CO.
  2. 109<sup>th</sup> Annual Meeting – October 30 – November 2, 2016 in Austin, TX

**RECOMMENDATION:** None by staff

**SUGGESTED MOTION:** None by staff



## **Agenda Item III**

### **Report of the Executive Committee**

**May 11, 2016**

**D. Review of general correspondence**

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

**RECOMMENDATION:** None by staff

**SUGGESTED MOTION:** None by staff



**William Treacy**

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**From:** Carolyn Conn [<mailto:caroltc@stedwards.edu>]

**Sent:** Thursday, March 31, 2016 9:54 AM

**To:** Jerry R. Hill

**Subject:** Paulette as Guest Speaker

Good morning!

I wanted to write to you and tell you that Paulette did a terrific job last night as a guest speaker in my graduate-level Accounting Ethics course. She added a special perspective that I could not give. In addition to being so very knowledgeable, Paulette was thorough and patient in answering questions from everyone (including me!). I really do appreciate all of you serving as such great resources.

Hope the rest of your week goes well.

Sincerely,  
Carolyn Conn  
Professor of Accounting  
St. Edward's University



*For your generous contribution to the enrichment of my UTEP experience, I thank you!*

Texas State Board of Public Accountancy  
333 Guadalupe St #900  
Austin, TX 78701

Dear Texas State Board of Public Accountancy:

Thank you for funding the 5<sup>th</sup> year accounting scholarship at the University of Texas at El Paso. I am very grateful that I was selected as a scholarship recipient. The fund has truly been of great help as I have been working to pay for the Master's program, while also trying to save for the CPA study materials.

I would just like to assure you that I will continue to work hard the remainder of my last semester in the program and persevere until I accomplish my ultimate goal of becoming a Certified Public Accountant.

Again, I appreciate your great efforts in assisting accounting students like myself.

Warmly,

RECEIVED  
2016 APR 15 PM 1:49  
TEXAS STATE BOARD OF  
PUBLIC ACCOUNTANCY



*For your generous contribution to the enrichment of my UTEP experience, I thank you!*

Texas State Board of Public Accounting  
333 Guadalupe, Tower 3, Suite 900  
Austin, TX 78701-3900

Dear Texas State Board of Public Accountancy,

I want to express my sincere gratitude for awarding me with the 5<sup>th</sup> Year Accounting Scholarship. Receiving this scholarship means so much for me as student striving to reach high.

As a young professional in the accounting field, I strongly believe that becoming a Certified Public Accountant is a crucial step to take. Becoming a CPA in Texas is one of my career goals, and I have never doubted whether to take the CPA exam or not. I am one step away to be eligible to sit for the CPA exam, and that is completing the Master of Accountancy (MAcc).

After graduating from my undergraduate studies in December 2015, I decided to go straight into the MAcc program at The University of Texas at El Paso. The support this scholarship provides will enable me to continue pursuing my academic. The 5<sup>th</sup> Year Accounting Scholarship will not only be a great financial support to achieve my goals, but it also motivates me to give my best in my education and career. I am currently working at a CPA firm as a Tax Accountant where I continue learning something new every day. I am certain that completing the MAcc program and becoming a CPA will help me grow professionally and personally.

For the help that The Texas State Board of Public Accounting provides, I am extremely grateful, as well as excited to for the opportunities that lay ahead. Once again, thank you very much.

Sincerely,



*For your generous contribution to the enrichment of my UTEP experience, I thank you!*

Dear Texas State Board of Public Accountancy,

I would like to sincerely thank you once again for your 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. Thanks to your generosity and will to help students, I'm capable of achieving my academic goals and objectives.

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

Sincerely,



*For your generous contribution to the enrichment of my UTEP experience, I thank you!*

Texas State Board of Public Accountancy  
Fifth-Year Accounting Scholarship  
333 Guadalupe, Tower 3, Suite 900  
Austin, TX 78701-3900

Dear Texas State Board Members,

I am writing to thank you for your generous \$1197.46 fifth-year accounting scholarship. I was very happy and appreciative to learn that I was selected as the recipient of your scholarship.

I am an accounting major with an emphasis on auditing. I plan to pursue a career at either a big four accounting firm or go into to government accounting upon graduating with my masters of accountancy at the University of Texas at El Paso. I currently completed 15 hours of graduate courses and plan on becoming CPA eligible at the end of this semester with the goal of being a licensed CPA by the end of the year. Thanks to you, I am one step closer to that goal.

By awarding me the fifth-year accounting scholarship, you have lightened my financial burden which allows me to focus more on the most important aspect of school, learning. Your generosity has inspired me to help others and give back to the community. I hope one day I will be able to help students achieve their goals just as you have helped me.

Sincerely,



*For your generous contribution to the enrichment of my UTEP experience, I thank you!*

Texas State Board of Public Accountancy  
333 Guadalupe, Tower 3, Suite 900  
Austin, TX 78701

Dear Texas State Board Members,

This letter is written to express my appreciation for the Fifth-Year Accounting Student Scholarship Program. As a recipient of this award, I give my thanks to all who make it possible for students to obtain financial assistance in the pursuit of higher education and dreams for the future.

Sincerely,



*For your generous contribution to the enrichment of my UTEP experience, I thank you!*

Dear Texas State Board of Public Accountancy,

I am writing this letter as a thank you. I am the recipient of the Accounting 5th year Scholarship that your association awards. This scholarship has been very helpful to lighten the burden of my financial needs. I am seeking a Master degree in Accounting and this semester I used the award to purchase study materials to take the CPA exam. Without this award it would have been very difficult for me to purchase such materials.

The 5th year Accounting Scholarship has been very helpful and I am now a step closer on becoming a Certified Public Accountant. It has been an honor, and I truly appreciate being a recipient of this award. I thank you very much for your generosity.

Sincerely,



*For your generous contribution to the enrichment of my UTEP experience, I thank you!*

Dear Texas State Board of Public Accountancy,

I would like to thank you for making a scholarship available to all of us in the master's program at UTEP. This scholarship has allowed me to focus at school while I gain experience working part time at a local CPA firm. I am working on my master's degree with a focus in tax. I am gaining experience at work while focusing on my studies. I am taking more classes than I would have been able to originally with the help of this scholarship. I am going to finish my master's degree one semester sooner than I originally planned. I hope to sit for the first part of my CPA exam this fall and I could not have done it without your support. I want to thank you once again for giving me the opportunity to further my education and continue my path towards becoming an accountant.

Thank You,



*For your generous contribution to the enrichment of my UTEP experience, I thank you!*

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 5<sup>th</sup> 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 (UTEP). I am working on my Master of Accountancy (MAcc) and I am expecting to graduate in May 2016. After graduation, I plan on studying immediately for the CPA exam. Receiving the 5<sup>th</sup> 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's 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 than I have ever anticipated.

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

Sincerely,

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



## **Agenda Item III**

### **Report of the Executive Committee**

**March 23, 2016**

E. Consideration of professional service contract

**DISCUSSION:** Mr. McAdams, Treasurer, will move to ratify the following professional service contract:

**FY 2016:**

**Technical Standards Review Committee:**

- |                 |                  |          |
|-----------------|------------------|----------|
| • Belen Briones | 5/1/15 – 8/31/16 | \$10,000 |
|-----------------|------------------|----------|

**RECOMMENDATION:** None by staff

**SUGGESTED MOTION:** None by staff



## **Agenda Item III**

### **Report of the Executive Committee**

**May 11, 2016**

F. Annual evaluation of the Executive Director

**DISCUSSION:** Mr. Baker, Presiding Officer, will review plans for the Executive Director's annual evaluation.

**RECOMMENDATION:** None by staff

**SUGGESTED MOTION:** None by staff

IV

**Agenda Item IV**

**Rules Committee Agenda**

**May 11, 2016**

**1:30 p.m.**

- A. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 501 – Rules of Professional Conduct*, of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.
- B. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 518 – Unauthorized Practice of Public Accountancy*, of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.
- C. Schedule next meeting.



**Agenda Item IV**

**Rules Committee Agenda**

**May 11, 2016**

**1:30 p.m.**

- A. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 501 – Rules of Professional Conduct*, of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.

**DISCUSSION:** *Chapter 501* of the Board's *Rules* is being 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.

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

**SUGGESTED MOTION:** That the Rules Committee 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 committee.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER A**                **GENERAL PROVISIONS**  
3 **RULE §501.51**                **Preamble and General Principles**

---

- 4  
5 (a) These rules of professional conduct were promulgated under the Public  
6 Accountancy Act, which directs the Texas State Board of Public Accountancy to  
7 promulgate rules of professional conduct "in order to establish and maintain high  
8 standards of competence and integrity in the practice of public accountancy and to  
9 **ensure insure** that the conduct and competitive practices of licensees serve the  
10 purposes of the Act and the best interest of the public."
- 11 (b) The services usually and customarily performed by those in the public, industry, or  
12 government practice of accountancy involve a high degree of skill, education, trust, and  
13 experience which are professional in scope and nature. The use of professional  
14 designations carries an implication of possession of the competence associated with a  
15 profession. The public, in general, and the business community, in particular, rely on  
16 this professional competence by placing confidence in reports and other services of  
17 accountants. The public's reliance, in turn, imposes obligations on persons utilizing  
18 professional designations to their clients, employers and to the public in general. These  
19 obligations include maintaining independence in fact and in appearance, while in the  
20 client practice of public accountancy, continuously improving professional skills,  
21 observing GAAP and GAAS, when required, promoting sound and informative financial  
22 reporting, holding the affairs of clients and employers in confidence, upholding the  
23 standards of the public accountancy profession, and maintaining high standards of  
24 personal and professional conduct in all matters.
- 25 (c) The board has an underlying duty to the public to **ensure insure** that these  
26 obligations are met in order to achieve and maintain a vigorous profession capable of  
27 attracting the bright minds essential to **adequately** serving **adequately** the public  
28 interest.
- 29 (d) These rules recognize the First Amendment rights of the general public as well as  
30 licensees and do not restrict the availability of accounting services. However, public  
31 accountancy, like other professional services, cannot be commercially exploited without  
32 the public being harmed. While information as to the availability of accounting services

1 and qualifications of licensees is desirable, such information should not be transmitted  
2 to the public in a misleading fashion.

3 (e) The rules are intended to have application to all kinds of professional services  
4 performed in the practice of public accountancy, including services relating to:

5 (1) accounting, auditing and other assurance services,

6 (2) taxation,

7 (3) financial advisory services,

8 (4) litigation support,

9 (5) internal auditing,

10 (6) forensic accounting, and

11 (7) management advice and consultation.

12 (f) Finally, these rules also recognize the duty of certified public accountants to refrain  
13 from committing acts discreditable to the profession. These acts, whether or not related  
14 to the accountant's practice, impact negatively upon the public's trust in the profession.

15 (g) In the interpretation and enforcement of these rules, the board may consider  
16 relevant interpretations, rulings, and opinions issued by the boards of other jurisdictions  
17 and appropriate committees of professional organizations, but will not be bound  
18 thereby.

1 **CHAPTER 501**                   **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER A**               **GENERAL PROVISIONS**  
3 **RULE §501.52**               **Definitions**

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4  
5 The following words and terms, when used in title 22, part 22 of the Texas  
6 Administrative Code relating to the Texas State Board of Public Accountancy, shall  
7 have the following meanings, unless the context clearly indicates otherwise. The  
8 masculine shall be construed to include the feminine or neuter and vice versa, and the  
9 singular shall be construed to include the plural and vice versa.

10 (1) "Act" means the Public Accountancy Act, Chapter 901, Occupations Code;

11 (2) "Advertisement" means a message which is transmitted to persons by, or at the  
12 direction of, a person and which has reference to the availability of the person to  
13 perform Professional Accounting Services;

14 (3) "Affiliated entity" means an entity controlling or being controlled by or under  
15 common control with another entity, directly or indirectly, through one or more  
16 intermediaries;

17 (4) "Attest Service" means:

18 (A) an audit or other engagement required by the board to be performed in  
19 accordance with the auditing standards adopted by the AICPA, PCAOB, or another  
20 national or international accountancy organization recognized by the board;

21 (B) a review or compilation required by the board to be performed in accordance with  
22 standards for accounting and review services adopted by the AICPA or another national  
23 or international accountancy organization recognized by the board;

24 (C) an engagement required by the board to be performed in accordance with  
25 standards for attestation engagements adopted by the AICPA or another national or  
26 international accountancy organization recognized by the board; or

27 (D) any other assurance service required by the board to be performed in accordance  
28 with professional standards adopted by the AICPA or another national or international  
29 accountancy organization recognized by the board;

30 (5) "Board" means the Texas State Board of Public Accountancy;

31 (6) "Charitable Organization" means an organization which has been granted tax-  
32 exempt status under the Internal Revenue Code of 1986, §501(c), as amended;

1 (7) "Client" means a party who enters into an agreement with a license holder or a  
2 license holder's employer to receive a professional accounting service or professional  
3 accounting work;

4 (8) "Client Practice of Public Accountancy" is the offer to perform or the performance  
5 by a person for a client or a potential client of professional accounting services or  
6 professional accounting work, and also includes:

7 (A) the advice or recommendations in connection with the sale or offer for sale of  
8 products (including the design and implementation of computer software), when the  
9 advice or recommendations routinely require or imply the possession of accounting or  
10 auditing skills or expert knowledge in auditing or accounting; and

11 (B) the performance of litigation support services;

12 (9) "Commission" means compensation for recommending or referring any product or  
13 service to be supplied by another party;

14 (10) "Contingent fee" means a fee for any service where no fee will be charged unless  
15 a specified finding or result is attained, or in which the amount of the fee is otherwise  
16 dependent upon the finding or result of such service. However, a person's non-  
17 Contingent fees may vary depending, for example, on the complexity of the services  
18 rendered. Fees are not contingent if they are fixed by courts or governmental entities  
19 acting in a judicial or regulatory capacity, or in tax matters if determined based on the  
20 results of judicial proceedings or the findings of governmental agencies acting in a  
21 judicial or regulatory capacity, or if there is a reasonable expectation of substantive  
22 review by a taxing authority;

23 (11) "Financial Statements" means a presentation of financial data, including  
24 accompanying notes, derived from accounting records and intended to communicate an  
25 entity's economic resources or obligations at a point in time, or the changes therein for a  
26 period of time, in accordance with generally accepted accounting principles or other  
27 comprehensive basis of accounting. Incidental financial data to support  
28 recommendations to a client or in documents for which the reporting is governed by  
29 Statements or Standards for Attestation Engagements and tax returns and supporting  
30 schedules do not constitute financial statements for the purposes of this definition;

1 (12) "Firm" means a sole proprietorship, partnership, limited liability partnership, limited  
2 liability company, corporation or other legally recognized business entity engaged in the  
3 practice of public accountancy;

4 (13) "Good standing" means compliance by a licensee with the board's licensing rules,  
5 including the mandatory continuing education requirements and payment of the annual  
6 license fee, and any penalties and other costs attached thereto. In the case of board-  
7 imposed disciplinary or administrative sanctions, the person must be in compliance with  
8 all the provisions of the board order to be considered in good standing;

9 (14) "Licensee" means the holder of a license issued by the board to a person  
10 pursuant to the Act, or pursuant to provisions of a prior Act;

11 (15) "Out of state practitioner and out of state firm" means a person licensed in another  
12 jurisdiction practicing in Texas pursuant to a practice privilege as provided for in  
13 §901.461 and §901.462 of the Act (relating to Practice by Certain Out-of-State Firms  
14 and Practice by Out-of-State Practitioner with Substantially Equivalent Qualifications);

15 (16) "Peer review", "Quality Review" or "Compliance Assurance" means the study,  
16 appraisal, or review of the professional accounting work of a public accountancy firm  
17 that performs attest services by a certificate holder who is not affiliated with the firm;

18 (17) "Person" means an individual, sole proprietorship, partnership, limited liability  
19 partnership, limited liability company, corporation or other legally recognized business  
20 entity that provides or offers to provide professional accounting services or professional  
21 accounting work as defined in paragraph **(22)** ~~(21)~~ of this section;

22 (18) "Principal office" means the location specified by the client as the address to  
23 which a service described in §517.1(a)(2) of this title (relating to Practice by Certain Out  
24 of State Firms) is directed and is synonymous with Home Office where it appears in the  
25 Act;

26 (19) "Practice unit" means an office of a firm required to be licensed with the board for  
27 the purpose of the client practice of public accountancy;

28 (20) "Practice privilege" means the privilege for an out-of-state person to provide  
29 certain Professional Accounting Services or Professional Accounting Work in Texas to  
30 the extent permitted under Chapter 517 of this title (relating to Practice by Certain Out of  
31 State Firms and Individuals);

1 (21) "Preparation engagement" means the preparation of financial statements that do  
2 not include an audit, review or a compilation report on those financial statements in  
3 accordance with Standards for Accounting and Review Services adopted by the AICPA;

4 (22) "Professional Accounting Services" or "professional accounting work" means  
5 services or work that requires the specialized knowledge or skills associated with  
6 certified public accountants, including but not limited to:

- 7 (A) issuing reports on financial statement(s);
- 8 (B) preparation engagements pursuant to SSARS;
- 9 (C) providing management or financial advisory or consulting services;
- 10 (D) preparing tax returns;
- 11 (E) providing advice in tax matters;
- 12 (F) providing forensic accounting services; and
- 13 (G) providing internal auditing services.

14 (23) "Report" means an opinion, report, or other document, prepared in connection  
15 with an attest service that states or implies assurance as to the reliability of financial  
16 statement(s); and includes or is accompanied by a statement or implication that the  
17 person issuing the opinion, report, or other document has special knowledge or  
18 competence in accounting or auditing. A statement or implication of assurance as to the  
19 reliability of a financial statement or as to the special knowledge or competence of the  
20 person issuing the opinion, report, or other document includes any form of language  
21 that is conventionally understood to constitute such a statement or implication. A  
22 statement or implication of special knowledge or competence in accounting or auditing  
23 may arise from the use by the issuer of the opinion, report, or other document of a name  
24 or title indicating that the person is an accountant or auditor; or the language of the  
25 opinion, report, or other document itself.

26 (24) Interpretive Comment: The practice of public accountancy is defined in §901.003  
27 of the Act (relating to the Practice of Public Accountancy).

1 **CHAPTER 501**                   **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER A**               **GENERAL PROVISIONS**  
3 **RULE §501.53**               **Applicability of Rules of Professional Conduct**

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- 4  
5 (a) All of the rules of professional conduct shall apply to and must be observed by a  
6 certificate or registration holder engaged in the client practice of public accountancy.  
7 (b) No certificate or registration holder shall issue, or otherwise be associated with,  
8 financial statements that do not conform to the accounting principles described in  
9 §501.61 of this chapter (relating to Accounting Principles).  
10 (c) The following rules of professional conduct shall apply to and be required to be  
11 observed by certificate or registration holders when not employed in the client practice  
12 of public accountancy:  
13     (1) §501.73 of this chapter (relating to Integrity and Objectivity);  
14     (2) §501.74 of this chapter (relating to Competence);  
15     (3) §501.77 of this chapter (relating to Acting through Others);  
16     (4) §501.78 of this chapter (relating to Withdrawal or Resignation);  
17     (5) §501.90 of this chapter (relating to Discreditable Acts);  
18     (6) §501.91 of this chapter (relating to Reportable Events);  
19     (7) §501.92 of this chapter (relating to Frivolous Complaints);  
20     (8) §501.93 of this chapter (relating to Responses); and  
21     (9) §501.94 of this chapter (relating to Mandatory Continuing Professional Education).

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER A**                **GENERAL PROVISIONS**  
3 **RULE §501.55**                **Definition of Acronyms**

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4  
5 The following acronyms, when used in Title 22, Part 22 of the Texas Administrative  
6 Code relating to the Texas State Board of Public Accountancy, shall have the following  
7 meanings:

- 8 (1) "AICPA" means the American Institute of Certified Public Accountants;
- 9 (2) "CPA" means Certified Public Accountant;
- 10 (3) "CPE" means continuing professional education;
- 11 (4) "FASB" means the Financial Accounting Standards Board;
- 12 (5) "GAAP" means Generally Accepted Accounting Principles;
- 13 (6) "GAAS" means Generally Accepted Auditing Standards;
- 14 (7) "GAGAS" means Government Auditing Standards;
- 15 (8) "GASB" means the Governmental Accounting Standards Board;
- 16 (9) "IASB" means the International Accounting Standards Board;
- 17 (10) "IESB" means the International Ethics Standards Board;
- 18 (11) "IFRB" means International Financial Reporting Bulletins;
- 19 (12) "IFRS" means International Financial Reporting Standards;
- 20 (13) "IRS" means the Internal Revenue Service;
- 21 (14) "NASBA" means the National Association of State Boards of Accountancy;
- 22 (15) "NPRC" means the National Peer Review Committee;
- 23 (16) "PCAOB" means the Public Company Accounting Oversight Board;
- 24 (17) "SAS" means Statements on Auditing Standards;
- 25 (18) "SEC" means the United States Securities and Exchange Commission;
- 26 (19) "SOAH" means the State Office of Administrative Hearings;
- 27 (20) "SSAE" means Statements on Standards for Attestation Engagements;
- 28 (21) "SSARS" means Statements on Standards for Accounting and Review Services;
- 29 (22) "SSCS" means Statements on Standards for Consulting Services;
- 30 (23) "SSTS" means Statements on Standards for Tax Services;
- 31 (24) "TSCPA" means the Texas Society of Certified Public Accountants;
- 32 (25) "UAA" means the Uniform Accountancy Act;
- 33 (26) "UCPAE" means the Uniform Certified Public Accountant Examination;

- 1 (27) "U.S. GAO" means the United States Government Accountability Office; and
- 2 (28) "U.S. IQAB" means the United States International Qualifications Appraisal Board.

1 **CHAPTER 501**                   **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER B**               **PROFESSIONAL STANDARDS**  
3 **RULE §501.60**               **Auditing Standards**

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4  
5 A person shall not permit his name to be associated with financial statements in such a  
6 manner as to imply that he is acting as an auditor with respect to such financial  
7 statements, unless he has complied with GAAS. SAS issued by the AICPA, auditing  
8 standards included in Standards for Audit of Government Organizations, Programs,  
9 Activities and Functions issued by the U.S. GAO, auditing and related professional  
10 practice standards to be used by registered public accounting firms issued by the  
11 PCAOB, and other pronouncements having similar generally recognized authority, are  
12 considered to be interpretations of GAAS.

1 **CHAPTER 501**                   **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER B**               **PROFESSIONAL STANDARDS**  
3 **RULE §501.61**               **Accounting Principles**

---

4  
5 A person, whether or not practicing under a practice privilege as provided for in  
6 §901.462 of the Act (relating to Practice by Out-of-State Practitioner With Substantially  
7 Equivalent Qualifications), shall not issue a report asserting that financial statements  
8 are presented in conformity with GAAP if such financial statements contain any  
9 departure from such accounting principles which has a material effect on the financial  
10 statements taken as a whole, unless the person, whether or not practicing under a  
11 practice privilege as provided for in §901.462 of the Act can demonstrate that by reason  
12 of unusual circumstances the financial statement(s) would otherwise be misleading. The  
13 report must describe the departure, the approximate effects thereof, if practicable, and  
14 the reasons why compliance with GAAP would result in a misleading statement. For  
15 purposes of this section, GAAP is considered to be defined by pronouncements issued  
16 by FASB and its predecessor entities and similar pronouncements issued by other  
17 entities having similar generally recognized authority.

1 **CHAPTER 501**                   **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER B**               **PROFESSIONAL STANDARDS**  
3 **RULE §501.62**               **Other Professional Standards**

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4  
5 A person in the performance of consulting services, accounting and review services,  
6 any other attest service, financial advisory services, or tax services shall conform to the  
7 professional standards applicable to such services. For purposes of this section, such  
8 professional standards are considered to be interpreted by:

- 9 (1) AICPA issued standards, including but not limited to:
- 10 (A) Statements on Standards on Consulting Services (SSCS);
  - 11 (B) Statements on Standards for Accounting and Review Services (SSARS);
  - 12 (C) Statements on Standards for Attestation Engagements (SSAE);
  - 13 (D) Statements on Standards for Tax Services (SSTS);
  - 14 (E) Statements on Standards for Financial Planning Services (SSFPS); or
  - 15 (F) Statements on Standards for Valuation Services (SSVS).
- 16 (2) pronouncements by other professional entities having similar national or  
17 international authority recognized by the board **including but not limited to the**  
18 **International Financial Reporting Standards (IFRS) promulgated by the**  
19 **International Accounting Standards Board (IASB).**

1 **CHAPTER 501**            **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER B**        **PROFESSIONAL STANDARDS**  
3 **RULE §501.63**        **Reporting Standards**

---

4  
5 (a) A licensee in the client practice of public accountancy must comply with SSARS or  
6 another similar standard of a national or international accountancy organization  
7 recognized by the board when transmitting a client's financial statements to the client or  
8 a third party.

9 (b) A licensee not employed in the client practice of public accountancy may prepare his  
10 employer's financial statements and may issue non-attest transmittals or information  
11 regarding non-attest transmittals without a firm license, provided those transmittals do  
12 not purport to be in compliance with SSARS or any other similar standard of a national  
13 or international accountancy organization recognized by the board.

1 **CHAPTER 501**            **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER C**        **RESPONSIBILITIES TO CLIENTS**  
3 **RULE §501.70**        **Independence**

---

4  
5 A person in the performance of professional accounting services or professional  
6 accounting work, including those who are not members of the AICPA, shall conform in  
7 fact and in appearance to the independence standards established by the AICPA and  
8 the board, and, where applicable, the SEC, the U.S. GAO, the PCAOB and other  
9 national or international regulatory or professional standard setting bodies.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER C**                **RESPONSIBILITIES TO CLIENTS**  
3 **RULE §501.71**                **Receipt of Commission, Compensation or Other Benefit**

---

- 4  
5 (a) A person shall not for a commission, compensation or other benefit recommend or  
6 refer to a client any product or service or refer any product or service to be supplied to a  
7 client, or receive a commission, compensation or other benefit when the person also  
8 performs services for that client requiring independence under §501.70 of this chapter  
9 (relating to Independence).
- 10 (b) This prohibition applies during the period in which the person is engaged to perform  
11 any of the services requiring independence and during the period covered by any of the  
12 historical financial statements involved in such services requiring independence.
- 13 (c) A person who receives, expects or agrees to receive, pays, expects or agrees to  
14 pay, other compensation in exchange for services or products recommended, referred,  
15 or sold by him shall, no later than the making of such recommendation, referral, or sale,  
16 disclose to the client in writing the nature, source, and amount, or an estimate of the  
17 amount when the amount is not known, of all such other compensation.
- 18 (d) This section does not apply to payments received from the sale of all, or a material  
19 part, of an accounting practice, or to retirement payments.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER C**                **RESPONSIBILITIES TO CLIENTS**  
3 **RULE §501.72**                 **Contingency Fees**

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4  
5 (a) A person shall not perform for a contingent fee any professional accounting services  
6 or professional accounting work for, or receive such a fee from, a client for whom the  
7 person performs professional accounting services or professional accounting work  
8 requiring independence under §501.70 of this chapter (relating to Independence).

9 (b) A person shall not prepare an original or amended federal, state, local or other  
10 jurisdiction tax return for a contingent fee for any client during the period in which the  
11 person is engaged to perform any of the services referenced by subsection (a) of this  
12 section and the period covered by any historical or prospective financial statements  
13 involved in any of the referenced services. Fees are not contingent if they are fixed by  
14 courts or governmental entities acting in a judicial or regulatory capacity, or in tax  
15 matters if determined based on the results of judicial proceedings or the findings of  
16 governmental agencies acting in a judicial or regulatory capacity, or if there is a  
17 reasonable expectation of substantive review by a taxing authority.

18 (c) A person shall not perform an engagement as a testifying accounting expert for a  
19 contingent fee. A testifying accounting expert is one that at any time during the  
20 proceeding becomes subject to disclosure and discovery under the procedural rules of  
21 the forum where the matter for which his services were engaged is pending.

22 (d) The prohibitions outlined in subsections (a) and (b) of this section apply during any  
23 period in which the person is engaged to perform any of the services referenced by  
24 subsections (a) and (b) of this section, and the period covered by any historical or  
25 prospective financial statements involved in any of the referenced services.

26 (e) Interpretive Comment: A consulting accounting expert may become a testifying  
27 accounting expert when the client for whom he is working makes his work available to a  
28 testifying expert. A consulting accounting expert who is working on a contingent fee  
29 basis should work closely with his client to ensure that he does not inadvertently  
30 become a testifying expert through the actions of his client. An accounting expert may  
31 not accept a contingent fee for part of an engagement and a set fee for part of the same  
32 engagement. A consulting accounting expert who becomes a testifying expert may not  
33 accept a contingent fee for the part of his work done as a consultant, but must be

- 1 compensated on a set fee basis for all of the work performed on the same engagement.
- 2 A consulting accounting expert who enters into a contingent fee engagement should
- 3 reach an agreement, preferably in writing, with the client as to how he will be
- 4 compensated should he become a testifying expert prior to beginning the engagement.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER C**                **RESPONSIBILITIES TO CLIENTS**  
3 **RULE §501.73**                **Integrity and Objectivity**

---

4  
5 (a) A person in the performance of professional accounting services or professional  
6 accounting work shall maintain integrity and objectivity, shall be free of conflicts of  
7 interest and shall not knowingly misrepresent facts nor subordinate his or her judgment  
8 to others. In tax practice, however, a person may resolve doubt in favor of his client as  
9 long as any tax position taken complies with applicable standards such as those set  
10 forth in Circular 230 issued by the IRS and the AICPA's SSTs.

11 (b) A conflict of interest may occur if a person performs a professional accounting  
12 service or professional accounting work for a client or employer and the person has a  
13 relationship with another person, entity, product, or service that could, in the person's  
14 professional judgment, be viewed by the client, employer, or other appropriate parties  
15 as impairing the person's objectivity. If the person believes that the professional  
16 accounting service or professional accounting work can be performed with objectivity,  
17 and the relationship is disclosed to and consent is obtained from such client, employer,  
18 or other appropriate parties, then this rule shall not operate to prohibit the performance  
19 of the professional accounting service or professional accounting work because of a  
20 conflict of interest.

21 (c) Certain professional engagements, such as audits, reviews, and other services,  
22 require independence. Independence impairments under §501.70 of this chapter  
23 (relating to Independence), its interpretations and rulings cannot be eliminated by  
24 disclosure and consent.

25 (d) A person shall not concurrently engage in the practice of public accountancy and in  
26 any other business or occupation which impairs independence or objectivity in rendering  
27 professional accounting services or professional accounting work, or which is conducted  
28 so as to augment or benefit the accounting practice unless these rules are observed in  
29 the conduct thereof.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER C**                **RESPONSIBILITIES TO CLIENTS**  
3 **RULE §501.74**                 **Competence**

---

4  
5 (a) A person shall not undertake any engagement for the performance of professional  
6 accounting services or professional accounting work which he cannot reasonably  
7 expect to complete with due professional competence, including compliance, where  
8 applicable, with §501.60 of this chapter (relating to Auditing Standards), §501.61 of this  
9 chapter (relating to Accounting Principles), and §501.62 of this chapter (relating to Other  
10 Professional Standards).

11 (1) Competence to perform professional accounting services or professional  
12 accounting work involves both the technical qualifications of the person and the  
13 person's staff and the ability to supervise and evaluate the quality of the work being  
14 performed.

15 (2) If a person is unable to gain sufficient competence to perform professional  
16 accounting services or professional accounting work, the person shall suggest to the  
17 client the engagement of someone competent to perform the needed professional  
18 accounting or professional accounting work service, either independently or as an  
19 associate.

20 (b) A person shall exercise due professional care in the performance of professional  
21 services.

22 (c) A person shall adequately plan and supervise the performance of professional  
23 services.

24 (d) A person shall obtain and maintain appropriate documentation to afford a  
25 reasonable basis for conclusions and recommendations in relation to any professional  
26 services performed.

27 (e) Interpretive comment: The person may have the knowledge required to complete the  
28 professional services with competence prior to performance. In some cases, however,  
29 additional research or consultation with others may be necessary during the  
30 performance of the professional services.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER C**                **RESPONSIBILITIES TO CLIENTS**  
3 **RULE §501.75**                **Confidential Client Communications**

---

4  
5 (a) Except by permission of the client or the authorized representatives of the client, a  
6 person or any partner, member, officer, shareholder, or employee of a person shall not  
7 voluntarily disclose information communicated to him by the client relating to, and in  
8 connection with, professional accounting services or professional accounting work  
9 rendered to the client by the person. Such information shall be deemed confidential.

10 The following includes, but is not limited to, examples of authorized representatives:

11 (1) the authorized representative of a successor entity becomes the authorized  
12 representative of the predecessor entity when the predecessor entity ceases to exist  
13 and no one exists to give permission on behalf of the predecessor entity; and

14 (2) an executor/administrator of the estate of a deceased client possessing an order  
15 signed by a judge is an authorized representative of the estate.

16 (b) The provisions contained in subsection (a) of this section do not prohibit the  
17 disclosure of information required to be disclosed by:

18 (1) the professional standards for reporting on the examination of a financial statement  
19 and identified in Chapter 501, Subchapter B of this title (relating to Professional  
20 Standards);

21 (2) applicable federal laws, federal government regulations, including requirements of  
22 the PCAOB;

23 (3) a summons under the provisions of the Internal Revenue Code of 1986 and its  
24 subsequent amendments, a summons under the provisions of the Securities Act of  
25 1933 (15 U.S.C. Section 77a et seq.) and its subsequent amendments, a summons  
26 under the provisions of the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et  
27 seq.) and its subsequent amendments, or under a court order signed by a judge if the  
28 summons or the court order:

29 (A) is addressed to the license holder;

30 (B) mentions the client by name; and

31 (C) requests specific information concerning the client.

32 (4) the public accounting profession in reporting on the examination of financial  
33 statements;

- 1 (5) a congressional or grand jury subpoena;
- 2 (6) investigations or proceedings conducted by the Board;
- 3 (7) ethical investigations conducted by a private professional organization of certified
- 4 public accountants; ~~or~~
- 5 (8) a peer review; or in the course of peer reviews.
- 6 **(9) a review in conjunction with a prospective purchase, sale, or merger of all or**
- 7 **part of a member's practice if both firms enter into a nondisclosure agreement**
- 8 **with regard to all client information shared between the firms.**
- 9 (c) The provisions contained in subsection (a) of this section do not prohibit the
- 10 disclosure of information already made public, including information disclosed to others
- 11 not having a confidential communications relationship with the client or authorized
- 12 representative of the client.
- 13 (d) Interpretive comment. The definition of a successor entity does not include the
- 14 purchaser of all assets of an entity.
- 15 **(e) Interpretive comment. To protect the confidentiality of client communications,**
- 16 **the licensee must take appropriate actions, such as a written confidentiality**
- 17 **agreement with the prospective purchaser, to prevent the disclosure of any**
- 18 **information obtained in the course of the review provided for in subsection (b)(9)**
- 19 **of this section.**

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER C**                **RESPONSIBILITIES TO CLIENTS**  
3 **RULE §501.76**                **Records and Work Papers**

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4  
5 (a) Records.

6 (1) A person shall return original client records to a client or former client within a  
7 reasonable time (promptly, not to exceed 10 business days) after the client or former  
8 client has made a request for those records. Client records are those records provided  
9 to the person by the client or former client in order for the person to provide professional  
10 accounting services to the client or former client. Client records also include those  
11 documents obtained by the person on behalf of the client or former client in order for the  
12 person to provide professional accounting services to the client or former client. Client  
13 records include only the original client documents and do not include the electronic and  
14 hard copies that the firm produces. The person shall provide these records to the client  
15 or former client, regardless of the status of the client's or former client's account and  
16 cannot charge a fee to provide such records. Such records shall be returned to the  
17 client or former client in the same format, to the extent possible, that they were provided  
18 to the person by the client or former client. The person may make copies of such  
19 records and retain those copies.

20 (2) A person's work papers, to the extent that such work papers include records which  
21 would ordinarily constitute part of the client's or former client's books and records and  
22 are not otherwise available to the client or former client, shall also be furnished to the  
23 client within a reasonable time (promptly, not to exceed 20 business days) after the  
24 client has made a request for those records. The person can charge a reasonable fee  
25 for providing such work papers. Such work papers shall be in a format that the client or  
26 former client can reasonably expect to use for the purpose of accessing such work  
27 papers. Work papers which constitute client records include, but are not limited to:

28 (A) documents in lieu of books of original entry such as listings and distributions of  
29 cash receipts or cash disbursements;

30 (B) documents in lieu of general ledger or subsidiary ledgers, such as accounts  
31 receivable, job cost and equipment ledgers, or similar depreciation records;

32 (C) all adjusting and closing journal entries and supporting details when the  
33 supporting details are not fully set forth in the explanation of the journal entry; and

1 (D) consolidating or combining journal entries and documents and supporting detail in  
2 arriving at final figures incorporated in an end product such as financial statements or  
3 tax returns.

4 (b) Work papers. Work papers, regardless of format, are those documents developed by  
5 the person incident to the performance of his engagement which do not constitute  
6 records that must be returned to the client in accordance with subsection (a) of this  
7 section. Work papers developed by a person during the course of a professional  
8 engagement as a basis for, and in support of, an accounting, audit, consulting, tax, or  
9 other professional report prepared by the person for a client, shall be and remain the  
10 property of the person who developed the work papers.

11 (c) For a reasonable charge, a person shall furnish to his client or former client, upon  
12 request from his client made within a reasonable time after original issuance of the  
13 document in question:

14 (1) a copy of the client's tax return; or

15 (2) a copy of any report or other document previously issued by the person to or for  
16 such client or former client provided that furnishing such reports to or for a client or  
17 former client would not cause the person to be in violation of the portions of §501.60 of  
18 this chapter (relating to Auditing Standards) concerning subsequent events.

19 (d) This rule imposes no obligation on the person who provides services to a business  
20 entity to provide documents to anyone involved with the entity except the authorized  
21 representative of the entity.

22 (e) Documentation or work documents required by professional standards for attest  
23 services shall be maintained in paper or electronic format by a person for a period of not  
24 less than five years from the date of any report issued in connection with the attest  
25 service, unless otherwise required by another regulatory body. Failure to maintain such  
26 documentation or work papers constitutes a violation of this section and may be  
27 deemed an admission that they do not comply with professional standards.

28 (f) Interpretive Comment: It is recommended that a person obtain a receipt or other  
29 written documentation of the delivery of records to a client.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER C**                **RESPONSIBILITIES TO CLIENTS**  
3 **RULE §501.77**                **Acting through Others**

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- 4  
5 (a) A person shall not permit others including non-CPA owners and employees, to carry  
6 out on his behalf, either with or without compensation, acts, which, if carried out by the  
7 person, would place him in violation of these rules of professional conduct.
- 8 (b) The board shall consider that the conduct of any non-CPA owner or employee in  
9 connection with the business of a licensed firm is the conduct of that licensed firm for  
10 the purposes of the rules of professional conduct.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER C**                **RESPONSIBILITIES TO CLIENTS**  
3 **RULE §501.78**                **Withdrawal or Resignation**

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4  
5 (a) If a person cannot complete an engagement to provide professional accounting  
6 services and professional accounting work or employment assignment in a manner that  
7 complies with the requirements of this chapter, the person shall withdraw from the  
8 engagement or resign from the employment assignment.

9 (b) If a person withdraws from an engagement or resigns from an employment  
10 assignment pursuant to this section, the person shall inform the client or employer of the  
11 withdrawal or resignation.

12 (c) Interpretive Comment: Any withdrawal or resignation shall preferably be in writing. A  
13 person shall comply with the requirements of §501.75 of this chapter (relating to  
14 Confidential Client Communications) and §501.90(16) of this chapter (relating to  
15 Discreditable Acts) regarding confidential information of clients and employers during  
16 and after a withdrawal or resignation executed pursuant to this section. For purposes of  
17 this section, an engagement commences once an engagement letter is signed by the  
18 client, time is charged to the engagement, or compensation is received by a person in  
19 connection with an engagement or employment assignment.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER D**                **RESPONSIBILITIES TO THE PUBLIC**  
3 **RULE §501.80**                   **Practice of Public Accountancy**

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4  
5 (a) A person may not engage in the practice of public accountancy unless he holds a  
6 valid license or qualifies under a practice privilege. A person may not use the title or  
7 designation "certified public accountant," the abbreviation "CPA," or any other title,  
8 designation, word, letter, abbreviation, sign, card, or device tending to indicate that the  
9 person is a CPA unless he holds a valid license issued by the board or qualifies under a  
10 practice privilege. A license is not valid for any date or for any period prior to the date it  
11 is issued by the board and it automatically expires and is no longer valid after the end of  
12 the period for which it is issued.

13 (b) Any licensee of this board in good standing as a CPA or public accountant may use  
14 such designation whether or not the licensee is in the client, industry, or government  
15 practice of public accountancy. However, a licensee who is not in the client practice of  
16 public accountancy may not in any manner, through use of the CPA designation or  
17 otherwise, claim or imply independence from his employer or that the licensee is in the  
18 client practice of public accountancy.

19 (c) Interpretive Comment: This section incorporates the definitions of the practice of  
20 public accountancy and professional services and accounting work found in §501.52(8)  
21 and (22) of this chapter (relating to Definitions) as well as §901.003 of the Act (relating  
22 to Practice of Public Accountancy).

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER D**                **RESPONSIBILITIES TO THE PUBLIC**  
3 **RULE §501.81**                 **Firm License Requirements**

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4  
5 (a) A firm, may not provide or offer to provide attest services or use the title "CPA,"  
6 "CPAs," "CPA Firm," "Certified Public Accountants," "Certified Public Accounting Firm,"  
7 or "Auditing Firm" or any variation of those titles unless the firm holds a firm license  
8 issued by the board or qualifies under a practice privilege. A firm license is not valid for  
9 any date or for any period prior to the date it is issued by the board and it automatically  
10 expires and is no longer valid after the end of the period for which it is issued. A firm  
11 license does not expire when the application for license renewal is received by the  
12 board prior to its expiration date. An expiration date for a firm license may be extended  
13 by the board, in its sole discretion, upon a demonstration of extenuating circumstances  
14 that prevented the firm from timely applying for or renewing a firm license.

15 (b) A firm is required to hold a license issued by the board if the firm establishes or  
16 maintains an office in this state.

17 (c) A firm is required to hold a license issued by the board and an individual must  
18 practice through a firm that holds such a license, if for a client that has its principal office  
19 in this state, the individual performs:

20 (1) a financial statement audit or other engagement that is to be performed in  
21 accordance with SAS;

22 (2) an examination of prospective financial information that is to be performed in  
23 accordance with SSAE; or

24 (3) an engagement that is to be performed in accordance with auditing standards of  
25 the PCAOB or its successor.

26 (d) Each advertisement or written promotional statement that refers to a CPA's  
27 designation and his or her association with an unlicensed entity in the client practice of  
28 public accountancy must include the disclaimer: "This firm is not a CPA firm." The  
29 disclaimer must be included in conspicuous proximity to the name of the unlicensed  
30 entity and be printed in type not less bold than that contained in the body of the  
31 advertisement or written statement. If the advertisement is in audio format only, the  
32 disclaimer shall be clearly declared at the conclusion of each such presentation.

1 (e) The requirements of subsection (d) of this section do not apply with regard to a  
2 person performing services:

3 (1) as a licensed attorney at law of this state while in the practice of law or as an  
4 employee of a licensed attorney when acting within the scope of the attorney's practice  
5 of law;

6 (2) as an employee, officer, or director of a federally-insured depository institution,  
7 when lawfully acting within the scope of the legally permitted activities of the institution's  
8 trust department; or

9 (3) pursuant to a practice privilege.

10 (f) On the determination by the board that a person has practiced without a license or  
11 through an unlicensed firm in violation of subsection (d) of this section, the person's  
12 certificate shall be subject to revocation and may not be reinstated for at least 12  
13 months from the date of the revocation.

14 (g) Interpretive Comment: A person who is employed by an unlicensed firm that offers  
15 services that fall within the definitions of the client practice of public accountancy as  
16 defined in §501.52(8) and (22) of this chapter (relating to Definitions) and §901.003 of  
17 the Act (relating to Practice of Public Accountancy) must comply with the disclaimer  
18 requirement found in subsection (d) of this section.

1 **CHAPTER 501**            **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER D**        **RESPONSIBILITIES TO THE PUBLIC**  
3 **RULE §501.82**         **Advertising**

---

4  
5 (a) A person shall not use or participate in the use of:

6 (1) any communication having reference to the person's professional services that  
7 contains a false, fraudulent, misleading or deceptive statement or claim; nor

8 (2) any communication that refers to the person's professional services that is  
9 accomplished or accompanied by coercion, duress, compulsion, intimidation, threats,  
10 overreaching, or vexatious or harassing conduct.

11 (b) Definitions:

12 (1) A "false, fraudulent, misleading or deceptive statement or claim" includes, but is not  
13 limited to, a statement or claim which:

14 (A) contain a misrepresentation of fact;

15 (B) is likely to mislead or deceive because it fails to make full disclosure of relevant  
16 facts;

17 (C) is intended or likely to create false or unjustified expectations of favorable results;

18 (D) implies educational or professional attainments or licensing recognition not  
19 supported in fact;

20 (E) represents that professional accounting services can or will be completely  
21 performed for a stated fee when this is not the case, or makes representations with  
22 respect to fees for professional accounting services that do not disclose all variables  
23 that may reasonably be expected to affect the fees that will in fact be charged;

24 (F) contains other representations or implications that in reasonable probability will  
25 cause a reasonably prudent person to misunderstand or be deceived;

26 (G) implies the ability to improperly influence any court, tribunal, regulatory agency or  
27 similar body or official due to some special relations;

28 (H) consists of self-laudatory statements that are not based on verifiable facts;

29 (I) makes untrue comparisons with other accountants; or

30 (J) contains testimonials or endorsements that are not based upon verifiable facts.

31 (2) Broadcast--Any transmission over the airwaves or over a cable, wireline, Internet,  
32 cellular, e-mail system or any other electronic means.

- 1 (3) Coercion--Compelling by force so that one is constrained to do what his free will  
2 would otherwise refuse.
- 3 (4) Compulsion--Driving or urging by force or by physical or mental constraint to  
4 perform or forbear from performing an act.
- 5 (5) Direct personal communication--Either a face-to-face meeting or a conversation by  
6 telephone.
- 7 (6) Duress--Any conduct which overpowers the will of another.
- 8 (7) Harassing--Any word, gesture, or action which tends to alarm and verbally abuse  
9 another person.
- 10 (8) Intimidation--Willfully to take, or attempt to take, by putting in fear of bodily harm.
- 11 (9) Overreaching--Tricking, outwitting, or cheating anyone into doing an act which he  
12 would not otherwise do.
- 13 (10) Threats--Any menace of such a nature and extent as to unsettle the mind of  
14 anyone on whom it operates, and to take away from his acts that free and voluntary  
15 action which alone constitutes consent.
- 16 (11) Vexatious--Irritating or annoying.
- 17 (c) It is a violation of these rules for a person to persist in contacting a prospective client  
18 when the prospective client has made known to the person, or the person should have  
19 known the prospective client's desire not to be contacted by the person.
- 20 (d) In the case of an electronic or direct mail communication, the person shall retain a  
21 copy of the actual communication along with a list or other description of parties to  
22 whom the communication was distributed. Such copy shall be retained by the person for  
23 a period of at least 36 months from the date of its last distribution.
- 24 (e) Subsection (d) of this section does not apply to anyone when:
- 25 (1) the communication is made to anyone who is at that time a client of the person;  
26 (2) the communication is invited by anyone to whom it was made; or  
27 (3) the communication is made to anyone seeking to secure the performance of  
28 professional accounting services.
- 29 (f) In the case of broadcasting, the broadcast shall be recorded and the person shall  
30 retain a recording of the actual transmission for at least 36 months.

31

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER D**                **RESPONSIBILITIES TO THE PUBLIC**  
3 **RULE §501.83**                 **Firm Names**

---

4  
5 (a) General rules applicable to all firms:

6 (1) A firm name may not contain words, abbreviations or other language that are  
7 misleading to the public, or that may cause confusion to the public as to the legal form  
8 or ownership of the firm.

9 (2) A firm licensed by the board may not conduct business, perform or offer to perform  
10 services for or provide products to a client under a name other than the name in which  
11 the firm is licensed.

12 (3) A word, abbreviation or other language is presumed to be misleading if it:

13 (A) is a trade name or assumed name that does not comply with paragraph (4)(A) or  
14 (B) of this subsection;

15 (B) states or implies the quality of services offered, special expertise, expectation as  
16 to outcomes or favorable results, or geographic area of service;

17 (C) includes the name of a non-owner of the firm;

18 (D) includes the name of a non-CPA, except as provided in paragraph (4)(B) of this  
19 subsection;

20 (E) states or implies educational or professional attainment not supported in fact;

21 (F) states or implies licensing recognition for the firm or any of its owners not  
22 supported in fact; or

23 (G) includes a designation such as "and company," "company," "associates," "and  
24 associates," "group" or abbreviations thereof or similar designations implying that the  
25 firm has more than one employed licensee unless there are at least two employed  
26 licensees involved in the practice. Independent contractors are not considered  
27 employees under this subsection.

28 (4) A word, abbreviation or other language is presumed not misleading if it:

29 (A) is the name, surname, or initials of one or more current or former CPA owners of  
30 the firm, its predecessor firm or successor firm;

31 (B) is the name, surname, or initials of one or more current or former foreign  
32 practitioner owners of the firm, its predecessor firm or successor firm who are or would

1 have been eligible to practice public accountancy in this state under §513.2 of this title  
2 (relating to Application for Registration of Foreign Practitioners);

3 (C) indicates the legal organization of the firm; or

4 (D) states or implies a limitation on the type of service offered by the firm, such as  
5 "tax," "audit" or "investment advisory services," provided the firm in fact principally limits  
6 its practice to the type of service indicated in the name.

7 (5) The board may place conditions on the licensing of a firm in order to ensure  
8 compliance with the provisions of this section.

9 (b) Additional Requirements Based on Legal Form or Ownership.

10 (1) The names of a corporation, professional corporation, limited liability partnership,  
11 professional limited liability company or other similar legal forms of ownership must  
12 contain the form of ownership or an abbreviation thereof, such as "Inc.," "P.C.," "L.L.P."  
13 or "P.L.L.C."; except that a limited liability partnership organized before September 1,  
14 1993 is not required to utilize the words "limited liability partnership" or any abbreviation  
15 thereof.

16 (2) Sole Proprietorships:

17 (A) The name of a firm that is a sole proprietor must contain the surname of the sole  
18 proprietor as it appears on the individual license issued to the sole proprietor by the  
19 board.

20 (B) A partner surviving the death of all other partners may continue to practice under  
21 the partnership name for up to two years after becoming a sole proprietor,  
22 notwithstanding subsection (d) of this section.

23 (c) The name of any current or former owner may not be used in a firm name during any  
24 period when such owner is prohibited from practicing public accountancy and prohibited  
25 from using the title "certified public accountant," "public accountant" or any abbreviation  
26 thereof, unless specifically permitted by the board.

27 (d) A firm licensed by the board is required to report to the board any change in the  
28 legal organization of the firm and amend the firm name to comply with this section  
29 regarding firm names for the new organization within thirty days of the effective date of  
30 such change.

31 (e) This section regarding firm names does not affect firms licensed by the board prior  
32 to the effective date of this section, but does apply to any change in legal organization

1 or name that occurs after the effective date of this section. Nothing in this subsection  
2 prohibits the board from placing conditions on the licensing of a firm pursuant to  
3 subsection (a)(5) of this section at the time of renewal of the firm license.

1 **CHAPTER 501**            **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER D**        **RESPONSIBILITIES TO THE PUBLIC**  
3 **RULE §501.84**        **Form of Practice**

---

4  
5 A person may practice public accountancy only in a sole proprietorship, partnership,  
6 limited liability partnership, limited liability company, corporation or other legally  
7 recognized business entity that provides professional accounting services or  
8 professional accounting work, organized under the laws of the State of Texas or an  
9 equivalent law of another jurisdiction, or as an employee of one of these entities.

1 **CHAPTER 501**                   **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER D**               **RESPONSIBILITIES TO THE PUBLIC**  
3 **RULE §501.85**               **Complaint Notice**

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4  
5 When a person receives a complaint that an alleged violation of the Act or Rules of  
6 Professional Conduct has occurred, a person shall provide to the complainant a  
7 statement that: Complaints concerning Certified Public Accountants may be addressed  
8 in writing to the Texas State Board of Public Accountancy at 333 Guadalupe, Tower 3,  
9 Suite 900, Austin, Texas 78701-3900, telephone (512) 305-7866, e-mail to  
10 enforcement@tsbpa.state.tx.us, or fax (512) 305-7854.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER E**                **RESPONSIBILITIES TO THE BOARD/PROFESSION**  
3 **RULE §501.90**                **Discreditable Acts**

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4  
5 A person shall not commit any act that reflects adversely on that person's fitness to  
6 engage in the practice of public accountancy. A discreditable act includes but is not  
7 limited to:

8     (1) fraud or deceit in obtaining a certificate as a CPA or in obtaining registration under  
9 the Act or in obtaining a license to practice public accounting;

10    (2) dishonesty, fraud or gross negligence in the practice of public accountancy;

11    (3) violation of any of the provisions of Subchapter J or §901.458 of the Act (relating to  
12 Loss of Independence) applicable to a person certified or registered by the board;

13    (4) final conviction of a felony or imposition of deferred adjudication or community  
14 supervision in connection with a criminal prosecution of a felony under the laws of any  
15 state or the United States;

16    (5) final conviction of any crime or imposition of deferred adjudication or community  
17 supervision in connection with a criminal prosecution, an element of which is dishonesty  
18 or fraud under the laws of any state or the United States, a criminal prosecution for a  
19 crime of moral turpitude, a criminal prosecution involving alcohol abuse or controlled  
20 substances, or a criminal prosecution for a crime involving physical harm or the threat of  
21 physical harm;

22    (6) cancellation, revocation, suspension or refusal to renew authority to practice as a  
23 CPA or a public accountant by any other state for any cause other than failure to pay  
24 the appropriate registration fee in such other state;

25    (7) suspension or revocation of or any consent decree concerning the right to practice  
26 before any state or federal regulatory or licensing body for a cause which in the opinion  
27 of the board warrants its action;

28    (8) a conviction or final finding of unethical conduct by state or federal agencies or  
29 boards, local governments or commissions for violations of laws or rules on ethics by  
30 licensees that engage in activities regulated by those entities including but not limited to:  
31 the Public Company Accounting Oversight Board, Internal Revenue Service, U.S.  
32 Securities and Exchange Commission, U.S. Department of Labor, U.S. General  
33 Accounting Office, U.S. Housing and Urban Development, Texas State Auditor, Texas

1 State Treasurer, Texas Securities Board, Texas Department of Insurance, and the  
2 Texas Secretary of State;

3 (9) knowingly participating in the preparation of a false or misleading financial  
4 statement or tax return;

5 (10) fiscal dishonesty or breach of fiduciary responsibility of any type;

6 (11) failure to comply with a final order of any state or federal court;

7 (12) repeated failure to respond to a client's inquiry within a reasonable time without  
8 good cause;

9 (13) intentionally misrepresenting facts or making a misleading or deceitful statement  
10 to a client, the board, board staff or any person acting on behalf of the board;

11 (14) giving intentional false sworn testimony or perjury in court or in connection with  
12 discovery in a court proceeding or in any communication to the board or any other  
13 federal or state regulatory or licensing body;

14 (15) threats of bodily harm or retribution to a client;

15 (16) public allegations of a lack of mental capacity of a client which cannot be  
16 supported in fact;

17 (17) voluntarily disclosing information communicated to the person by an employer,  
18 past or present, or through the person's employment in connection with accounting  
19 services rendered to the employer, except:

20 (A) by permission of the employer;

21 (B) pursuant to the Government Code, Chapter 554 (commonly referred to as the  
22 "Whistle Blowers Act");

23 (C) pursuant to:

24 (i) a court order signed by a judge;

25 (ii) a summons under the provisions of:

26 (I) the Internal Revenue Code of 1986 and its subsequent amendments;

27 (II) the Securities Act of 1933 (15 U.S.C. §77a et seq.) and its subsequent  
28 amendments; or

29 (III) the Securities Exchange Act of 1934 (15 U.S.C. §78a et seq.) and its  
30 subsequent amendments;

31 (iii) a congressional or grand jury subpoena; or

1 (iv) applicable federal laws, federal government regulations, including requirements  
2 of the PCAOB;

3 (D) in an investigation or proceeding by the board;

4 (E) in an ethical investigation conducted by a professional organization of CPAs;

5 (F) in the course of a peer review under §901.159 of the Act (relating to Peer  
6 Review); or

7 (G) any information that is required to be disclosed by the professional standards for  
8 reporting on the examination of a financial statement.

9 (18) breaching the terms of an agreed consent order entered by the board or violating  
10 any Board Order.

11 (19) Interpretive Comment: The board has found in §519.7 of this title (relating to  
12 Misdemeanors that Subject a Licensee or Certificate Holder to Discipline by the Board)  
13 and §525.1 of this title (relating to Applications for the Uniform CPA Examination,  
14 Issuance of the CPA Certificate, or a License) that any crime of moral turpitude directly  
15 relates to the practice of public accountancy. A crime of moral turpitude is defined in this  
16 chapter as a crime involving grave infringement of the moral sentiment of the  
17 community. The board has found in §519.7 of this title that any crime involving alcohol  
18 abuse or controlled substances directly relates to the practice of public accountancy.

19 (20) Interpretive comment: A conviction or final finding of unethical conduct by a  
20 competent authority, for the purpose of paragraph (8) of this subsection, includes any  
21 right to practice before the authority or findings that limit the scope of the permit or  
22 license conveyed by the authority. Conviction relates to the finding in a criminal  
23 proceeding and final finding relates to a determination in a non-criminal proceeding.  
24 Unethical conduct or activities are determined by the governmental entity making the  
25 determination of a conviction or final finding.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER E**                **RESPONSIBILITIES TO THE BOARD/PROFESSION**  
3 **RULE §501.91**                 **Reportable Events**

---

4  
5 (a) A licensee or certificate holder shall report in writing to the board the occurrence of  
6 any of the following events within 30 days of the date the licensee or certificate holder  
7 has knowledge of these events:

8 (1) the conviction or imposition of deferred adjudication of the licensee or certificate  
9 holder of any of the following:

10 (A) a felony;

11 (B) a crime of moral turpitude;

12 (C) any crime of which fraud or dishonesty is an element or that involves alcohol  
13 abuse or controlled substances; and

14 (D) any crime related to the qualifications, functions, or duties of a public accountant  
15 or CPA, or to acts or activities in the course and scope of the practice of public  
16 accountancy or as a fiduciary;

17 ~~(2) the cancellation, revocation, or suspension of a certificate, other authority to~~  
18 ~~practice, or refusal to renew a certificate or other authority to practice as a CPA or a~~  
19 ~~public accountant, by any state, foreign country or other jurisdiction;~~

20 ~~(2) (3)~~ the cancellation, revocation, or suspension of the right to practice as a CPA or a  
21 public accountant before any governmental body or agency or **state, foreign country,**  
22 **or other jurisdiction** ~~other licensing agency;~~

23 ~~(3) (4)~~ an **un-appealable** ~~unappealable~~ adverse finding in any state or federal court or  
24 an agreed settlement in a civil action against the licensee or certificate holder  
25 concerning professional accounting services or professional accounting work or a  
26 finding of a breach of fiduciary duty, fraud or misappropriation; or

27 ~~(4) (5)~~ the **revocation, suspension or any limitation on** ~~loss of~~ a professional license  
28 from another state or federal regulatory agency such as an insurance license or a  
29 securities license, resulting from an **un-appealable** ~~unappealable~~ adverse finding.

30 (b) The report required by subsection (a) of this section shall be signed by the licensee  
31 or certificate holder and shall set forth the facts which constitute the reportable event. If  
32 the reportable event involves the action of an administrative agency or court, then the

1 report shall set forth the title of the matter, court or agency name, docket number, and  
2 dates of occurrence of the reportable event.

3 (c) Nothing in this section imposes a duty upon any licensee or certificate holder to  
4 report to the board the occurrence of any of the events set forth in subsection (a) of this  
5 section either by or against any other licensee or certificate holder.

6 (d) As used in this section, a conviction includes the initial plea, verdict, or finding of  
7 guilt, plea of no contest, or pronouncement of sentence by a trial court even though that  
8 conviction may not be final or sentence may not be actually imposed until all appeals  
9 are exhausted.

10 (e) Interpretive Comment: A crime of moral turpitude is defined in this chapter as a  
11 crime involving grave infringement of the moral sentiment of the community and further  
12 defined in §501.90(18) and §519.7 of this title (relating to Discreditable Acts and  
13 Misdemeanors that Subject a Certificate or Registration Holder to Discipline by the  
14 Board).

15

1 **CHAPTER 501**                   **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER E**               **RESPONSIBILITIES TO THE BOARD/PROFESSION**  
3 **RULE §501.92**               **Frivolous Complaints**

---

4  
5 A person who, in writing to the board, accuses another person of violating the rules of  
6 the board shall assist the board in any investigation and/or prosecution resulting from  
7 the written accusation. Failure to do so, such as not appearing to testify at a hearing or  
8 to produce requested documents necessary to the investigation or prosecution, without  
9 good cause, is a violation of this rule. A person who makes a complaint against another  
10 person that is groundless and brought in bad faith, for the purpose of harassment, or for  
11 any other improper purpose shall be in violation of this rule.

1 **CHAPTER 501**                    **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER E**                **RESPONSIBILITIES TO THE BOARD/PROFESSION**  
3 **RULE §501.93**                **Responses**

---

4  
5 (a) A person shall substantively respond in writing, within 30 days, to any  
6 communication from the board requesting a response. The board may specify a shorter  
7 time for response in the communication when circumstances so require. The time to  
8 respond shall commence on the date the communication was mailed, delivered to a  
9 courier or delivery service, faxed or e-mailed to the last address, facsimile number, or e-  
10 mail address furnished to the board by the applicant or person.

11 (b) A person shall provide copies of documentation and/or work papers, within 30 days,  
12 in response to the board's request at no expense to the board. The board may specify a  
13 shorter time for response in the communication when circumstances so require. The  
14 time to respond shall commence on the date the request was mailed, delivered to a  
15 courier or delivery service, faxed or e-mailed to the last address, facsimile number or e-  
16 mail address furnished to the board by a person. A person may comply with this  
17 subsection by providing the board with original records for the board to duplicate. In  
18 such a circumstance, upon request the board will provide an affidavit from the custodian  
19 of records documenting custody and control of the records.

20 (c) Failure to timely respond substantively to written communications, or failure to  
21 furnish requested documentation and/or work papers, constitutes conduct indicating  
22 lack of fitness to serve the public as a professional accountant.

23 (d) Each applicant and each person required to be registered with the board under the  
24 Act shall notify the board, either in writing or through the board's website, of any and all  
25 changes in either such person's mailing address or telephone number and the effective  
26 date thereof within 30 days before or after such effective date.

27 (e) Interpretive Comment. This section should be read in conjunction with §519.6 of this  
28 title (relating to Subpoenas).

29 (f) Interpretive Comment. In this section, the term board includes board staff.

1 **CHAPTER 501**                   **RULES OF PROFESSIONAL CONDUCT**  
2 **SUBCHAPTER E**               **RESPONSIBILITIES TO THE BOARD/PROFESSION**  
3 **RULE §501.94**               **Mandatory Continuing Professional Education**

---

4  
5 Each certificate or registration holder shall comply with the mandatory CPE reporting  
6 and the mandatory CPE attendance requirements of Chapter 523 of this title (relating to  
7 Continuing Professional Education). Once an individual's license has been suspended  
8 for three consecutive years by the board for failing to complete the 120 hours of CPE  
9 required by §523.112 of this title (relating to **Required Mandatory CPE Participation**  
10 **Attendance**), the individual's certificate shall be subject to revocation and may not be  
11 reinstated for at least 12 months from the date of the revocation.

## Agenda Item IV

### Rules Committee Agenda

May 11, 2016

1:30 p.m.

- B. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 518 – Unauthorized Practice of Public Accountancy*, of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.

**DISCUSSION:** As a part of Rule Review staff is recommending the addition of a new rule 518.4 in order to address the new process of seeking injunctive relief in lieu of issuing a Cease and Desist Order which could be challenged on the basis of the US Supreme Court decision in the North Carolina Dental Board case. The administrative penalty guidelines are also proposed to be revised to address repeat offenders.

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

**SUGGESTED MOTION:** That the Rules Committee 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 committee.

**Agenda Item IV**

**Rules Committee Agenda**

**May 11, 2016**

**1:30 p.m.**

1 **CHAPTER 518**            **UNAUTHORIZED PRACTICE OF PUBLIC ACCOUNTANCY**  
2 **RULE §518.1**            **Definitions**

3 \_\_\_\_\_  
4 The definitions contained in Chapter 519 of this title (relating to Practice and Procedure)  
5 apply to this chapter.

1 **CHAPTER 518**  
2 **RULE §518.2**

**UNAUTHORIZED PRACTICE OF PUBLIC ACCOUNTANCY**  
**Cease and Desist Orders**

---

3  
4 (a) Whenever the board, through its executive director, determines that a person is  
5 engaging in an act or practice that constitutes the practice of public accountancy without  
6 a license issued under the Act, the board, through its executive director, after notice and  
7 an opportunity for a hearing, may issue a cease and desist order prohibiting the person  
8 from engaging in that activity. The executive director and the person under investigation  
9 may agree to a cease and desist order at any time; however, such an agreed cease and  
10 desist order must be ratified by the board.

11 (1) The executive director may refer an investigation to the Constructive Enforcement  
12 Committee for its consideration before taking any action. In such cases, the  
13 Constructive Enforcement Committee may recommend that staff dismiss the matter  
14 without further action, instruct staff to investigate the matter further or recommend that  
15 staff offer the person under investigation a cease and desist order.

16 (2) The executive director may enlist the aid of the members of the Constructive  
17 Enforcement Advisory Committee in gathering evidence during investigations of the  
18 unauthorized practice of public accountancy.

19 (b) A hearing under this rule shall be conducted in the manner of a contested case  
20 pursuant to the Act, the Administrative Procedure Act, the board's rules and SOAH's  
21 rules.

1 **CHAPTER 518**                      **UNAUTHORIZED PRACTICE OF PUBLIC ACCOUNTANCY**  
2 **RULE §518.3**                      **Violation of a Cease and Desist Order**

---

3  
4 (a) Whenever the board, through its executive director, determines that a person subject  
5 to a cease and desist order issued by the board has violated that order, the board,  
6 through its executive director, after notice and an opportunity for a hearing, may assess  
7 an administrative penalty, after consulting with the board's presiding officer, against the  
8 person in violation in accordance with the guidelines contained in **§518.6 of this**  
9 **chapter (relating to Administrative Penalty Guidelines for the Unauthorized**  
10 **Practice of Public Accountancy)** ~~§518.4 of this chapter (relating to Administrative~~  
11 ~~Penalty Guidelines for Violations of Cease and Desist Orders)~~ and Subchapter L of the  
12 Act, as amended.

13 (b) The board staff acting through the executive director will offer the person found in  
14 violation of a cease and desist order an agreed consent order.

15 (1) The agreed consent order will act as the preliminary report as required by §901.553  
16 of the Act (relating to Report and Notice of Violation and Penalty), including findings of  
17 fact to support the administrative penalty as well as the amount of the penalty to be  
18 imposed.

19 (2) Board staff will advise the person found in violation of a cease and desist order that  
20 he has 20 days to either sign the agreed consent order or to request a hearing in  
21 writing, as required by §901.554 of the Act (relating to Penalty to be Paid or Hearing  
22 Requested).

23 (3) If the person found to be in violation of a cease and desist order signs the agreed  
24 consent order, then the agreed consent order will be presented to the board for its  
25 consideration. If the board ratifies the agreed consent order, then it will issue a board  
26 order.

27 (c) If the board, through its executive director, determines that a person subject to a  
28 cease and desist order issued by the board has violated that order, the board, through  
29 its executive director and after consulting with the board's presiding officer, may seek to  
30 enjoin the person in violation in state district court.

1 **CHAPTER 518**  
2 **RULE §518.4**

**UNAUTHORIZED PRACTICE OF PUBLIC ACCOUNTANCY**  
**Injunctive Relief and Penalties**

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3  
4 **(a) Whenever the executive director has determined that evidence supports a**  
5 **person(s) has or is engaging in an act(s) that violates §§901.451, 901.452, 901.453**  
6 **901.454 or 901.456 of the Act (relating to Use of Title or Abbreviation for "Certified**  
7 **Public Accountant"; Use of Title or Abbreviation for "Public Accountant"; Use of**  
8 **Other Titles or Abbreviations; Title Used by Certain Out-of-State or Foreign**  
9 **Accountants; and Reports on Financial Statements; Use of Name or Signature on**  
10 **Certain Documents) or any combination of these sections of the Act, the**  
11 **executive director may, pursuant to §901.604 of the Act (relating to Single Act as**  
12 **Evidence of Practice), seek the issuance of an injunction and the assessment of**  
13 **penalties against that person(s) in state district court on behalf of the board.**  
14 **(b) Penalties will be determined in accordance with the guidelines in §518.6 of**  
15 **this chapter (relating to Administrative Penalty Guidelines for the Unauthorized**  
16 **Practice of Public Accountancy).**

1 **CHAPTER 518**                    **UNAUTHORIZED PRACTICE OF PUBLIC ACCOUNTANCY**  
2 **RULE §518.4**                    **Administrative Penalty Guidelines for Violations of Cease**  
3 **and Desist Orders**

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4  
5 The amount of the administrative penalty assessed under this chapter will be in  
6 accordance with the following guidelines:

7 ~~—(1) an unlicensed individual who uses terms restricted for use by CPAs only in violation~~  
8 ~~of §§901.451, 901.452 and 901.453 of the Act (relating to Use of Title or Abbreviation~~  
9 ~~for "Certified Public Accountant"; Use of Title or Abbreviation for "Public Accountant";~~  
10 ~~and Use of Other Titles or Abbreviations) shall pay a penalty of no less than \$1,000.00~~  
11 ~~and no more than \$5,000.00;~~

12 ~~—(2) an unlicensed entity that uses terms restricted for use by licensed firms only in~~  
13 ~~violation of §901.351(a) of the Act (relating to Firm License Required) shall pay a~~  
14 ~~penalty of no less than \$5,000.00 and no more than \$10,000.00;~~

15 ~~—(3) an unlicensed individual who asserts an expertise in accounting through use of the~~  
16 ~~term "accounting service" or any variation of that term shall pay a penalty of no less~~  
17 ~~than \$1,000.00 and no more than \$5,000.00;~~

18 ~~—(4) an unlicensed entity that asserts an expertise in accounting through use of the term~~  
19 ~~"accounting service" or any variation of that term shall pay a penalty of no less than~~  
20 ~~\$5,000.00 and no more than \$10,000.00;~~

21 ~~—(5) an unlicensed individual who claims to provide attest services shall pay a penalty of~~  
22 ~~no less than \$5,000.00 and no more than \$25,000.00;~~

23 ~~—(6) an unlicensed entity that claims to provide attest services shall pay a penalty of no~~  
24 ~~less than \$5,000.00 and no more than \$25,000.00;~~

25 ~~—(7) an unlicensed individual who claims to be a CPA shall pay a penalty of no less than~~  
26 ~~\$5,000.00 and no more than \$25,000.00; and~~

27 ~~—(8) an unlicensed entity that claims to be a certified public accounting firm shall pay a~~  
28 ~~penalty of no less than \$5,000.00 and no more than \$25,000.00.~~

1 **CHAPTER 518**  
2 **RULE §518.5**

**UNAUTHORIZED PRACTICE OF PUBLIC ACCOUNTANCY**  
**Unlicensed Entities**

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3  
4 (a) An unlicensed entity is permitted to state that it has an ownership interest and a  
5 business affiliation with a registered CPA firm provided each such statement complies  
6 with subsection (b) of this section.

7 (b) In any letterhead, or in any advertising or promotional statements by an unlicensed  
8 entity that refers to accounting, auditing or attest services or any derivative terms  
9 associated with those services, there must be a statement that such services are only  
10 performed by the affiliated registered CPA firm. This statement must be included in  
11 conspicuous proximity to the name of the unlicensed entity and be printed in type not  
12 less bold than that contained in the body of the letterhead, advertisement or promotional  
13 statement. If the advertisement is in audio format, the statement must be clearly  
14 declared in each such presentation.

15 (c) An unlicensed entity performing attest services is in the unauthorized practice of  
16 public accountancy and in violation of the Act and the board's rules.

17 (d) Interpretative Comment: This section clarifies that the mere mention of a business  
18 and ownership affiliation with a registered CPA firm on the letterhead, or in advertising  
19 or promotional statements, of an unlicensed entity does not violate the Act when done in  
20 compliance with the provisions of this section. This section also clarifies that the  
21 letterhead, advertising or promotional statements of the unlicensed entity may not refer  
22 to accounting, auditing or attest services, or any derivative terms associated with those  
23 services, without violating §901.453 of the Act (relating to Use of Other Titles or  
24 Abbreviations). It also clarifies that all attest services must still be performed exclusively  
25 by registered CPA firms in accordance with the Act and all board rules. The definition of  
26 "attest services" is set forth in §501.52 of this title (relating to Definitions).

1 **CHAPTER 518**  
2 **RULE §518.6**

**UNAUTHORIZED PRACTICE OF PUBLIC ACCOUNTANCY**  
**Administrative Penalty Guidelines for the Unauthorized**  
**Practice of Public Accountancy**

---

5 **(a) Any administrative penalty assessed under this chapter will be in accordance**  
6 **with the following guidelines:**

7 **(1) an unlicensed individual who uses terms restricted for use by CPAs in**  
8 **violation of §§901.451, 901.452, 901.453 or 901.454 of the Act (relating to Use of**  
9 **Title or Abbreviation for "Certified Public Accountant"; Use of Title or**  
10 **Abbreviation for "Public Accountant"; Use of Other Titles or Abbreviations; and**  
11 **Title Used by Certain Out-of-State or Foreign Accountants) shall pay a penalty of**  
12 **no less than \$1,000.00 and no more than \$5,000.00 for a first offense; and no less**  
13 **than \$5,000.00 and no more than \$25,000.00 for two or more offenses;**

14 **(2) an unlicensed entity that uses terms restricted for use by licensed firms in**  
15 **violation of §901.351(a) of the Act (relating to Firm License Required) shall pay a**  
16 **penalty of no less than \$5,000.00 and no more than \$10,000.00 for a first offense;**  
17 **and no more than \$25,000.00 for two or more offenses;**

18 **(3) an unlicensed individual who asserts an expertise in accounting through use**  
19 **of the term "accounting service" or any variation of that term shall pay a penalty**  
20 **of no less than \$1,000.00 and no more than \$5,000.00 for a first offense; and no**  
21 **more than \$25,000.00 for two or more offenses;**

22 **(4) an unlicensed entity that asserts an expertise in accounting through use of**  
23 **the term "accounting service" or any variation of that term shall pay a penalty of**  
24 **no less than \$5,000.00 and no more than \$10,000.00 for a first offense; and no**  
25 **more than \$25,000.00 for two or more offenses;**

26 **(5) an unlicensed individual who claims to provide attest services shall pay a**  
27 **penalty of no less than \$5,000.00 and no more than \$25,000.00;**

28 **(6) an unlicensed entity that claims to provide attest services shall pay a penalty**  
29 **of no less than \$5,000.00 and no more than \$25,000.00;**

30 **(7) an unlicensed individual who claims to be a CPA shall pay a penalty of no**  
31 **less than \$5,000.00 and no more than \$25,000.00; and**

32 **(8) an unlicensed entity that claims to be a CPA firm shall pay a penalty of no**  
33 **less than \$5,000.00 and no more than \$25,000.00.**

1 **(b) An offense is counted as a second or more offense when the person has been**  
2 **notified in writing by the board that the person's actions violate the Public**  
3 **Accountancy Act and the person fails to correct the violation(s) within the time**  
4 **required in the written notification.**



**Agenda Item IV**

**Rules Committee Agenda**

**May 11, 2016**

**1:30 p.m.**

C. Schedule next meeting.

V

## **AGENDA ITEM V**

**Report on the Swearing-In Ceremony- June 18, 2016**

**May 12, 2016**

- Report on the June 18, 2016 swearing-in ceremony.

**DISCUSSION:** The site for the June 18, 2016 swearing-in ceremony is the Palmer Events Center in Austin, Texas. Board members who are planning to attend:

**Mr. Baker  
Ms. Hugly  
Mr. Cluck  
Mr. Johnson  
Mr. McAdams  
Dr. Morris**

**1,381** candidates are eligible to receive certificates. **68** licensees have been licensed for 50 years and have also been invited to the ceremony.

Attached for review is the biographical data for the candidates who will be receiving the Outstanding Achievement Award. One candidate is also receiving the Elijah Watt Sells award from the AICPA.

**RECOMMENDATION:** None by staff

**SUGGESTED MOTION:** None by staff

JUNE 2016 SWEARING-IN CEREMONY  
TOP TEN  
CANDIDATES

Faten Hannah Binti Mohd Zaman Ernst & Young LLP – Dallas Univ. of St. Andrews - Scotland Bachelor of Arts	383
Courtney Michelle Ware Not employed UT - Arlington Master of Science	379
Micah Charles Geisenberg Ernst & Young LLP - Houston UT - Austin Bachelor of Business Administration	379
Chance Montana Stobaugh Ernst & Young LLP - Austin UT- Austin Master in Professional Accounting	378
Kelly Marie Pahl Texas Instruments - Dallas Texas Christian University Master of Accounting	378
Joel David Hemmert PriceWaterhouseCoopers - Austin UT- Austin Master in Professional Accounting	375
Katrina Rose Scott Ernst & Young LLP - Dallas UT - Austin Master in Professional Accounting	375
Taylor Newton Deloitte & Touche LLP - Dallas Texas Tech University Master of Science in Accounting	375

Jonathan James Anders 374  
Texas Tech University System  
Texas Tech University  
Master of Science in Accounting

Audrey Rose Pederson 374  
Ernst & Young LLP - Houston  
Texas A & M University  
Master of Science

VI

## **Agenda Item VI**

### **Behavioral Enforcement Committee**

**April 27, 2016**

The following items will be considered by the BEC Committee at its meeting on April 27, 2016 and may be brought to the Board for consideration.

#### **A. INFORMAL CONFERENCE**

1. Investigation No. 16-01-04L

#### **B. DISCUSSION ITEMS**

1. Investigation No.16-04-01T
2. Investigation Nos.16-03-05L & 16-03-06L
3. Investigation Nos.15-11-16L & 15-11-17L
4. Investigation No.15-12-19L
5. Investigation No.16-03-10L
6. Investigation No.16-02-10L
7. Investigation Nos.15-11-12L & 15-11-13L
8. Investigation Nos.15-12-16L & 15-12-17L
9. Investigation Nos.15-12-23L & 15-12-24L

#### **C. SCHEDULE NEXT MEETING**

VII

## **Agenda Item VII**

### **Technical Standards Review Committee Minutes**

**April 26, 2016**

**10 A.M.**

The following items will be considered by the TSR committee at its April 26, 2016 meeting and may be brought to the Board for its consideration.

#### **A. DISCUSSION ITEMS**

1. Investigation No. 15-03-25L
2. Investigation Nos. 16-02-01L & 16-02-02L
3. Investigation Nos. 15-07-03L & 15-07-04L
4. Investigation Nos. 15-11-06L & 15-11-07L
5. Investigation No. 13-01-28L
6. Investigation No. 13-01-27L
7. Investigation No. 13-01-26L
8. Investigation Nos. 15-07-17L & 15-07-16L

#### **B. CASES PENDING**

#### **C. SCHEDULE NEXT MEETING**

VIII

**AGENDA ITEM VIII**  
**PROBATION REPORT**  
**MAY 12, 2016**  
**STATUS DOCKET**

**BOARD REPORTING PERIOD FEBRUARY 26, 2016, THROUGH APRIL 15, 2016**

	<b>PROBATION</b>	<b>LIMITED SCOPE</b>
<b>OPEN CASES AT START:</b>	<b>12</b>	<b>50</b>
<b>NEW CASES OPENED:</b>	<b>0</b>	<b>2</b>
<b>CASES CLOSED:</b>	<b>2</b>	<b>0</b>
<b>OPEN CASES AT END:</b>	<b>10</b>	<b>52</b>

**A. PROBATION STATUS**

At present, the Enforcement Division is monitoring:

1. Probation Files: 10
2. Limited Scope Files: 52

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

**C. PROBATION**

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

<b>Respondent:</b>	<b>Dean, Donald Joseph</b>
<b>Hometown:</b>	<b>The Woodlands, Texas</b>
<b>Certificate No.:</b>	<b>061347</b>
<b>Investigation No.:</b>	<b>13-08-05L</b>
<b>Order Date:</b>	<b>March 27, 2014</b>

Respondent pleaded guilty and was subject to two years deferred adjudication for selling unregistered securities, a felony. A complaint was filed against

Respondent on August 21, 2013, and Respondent was provided with the opportunity to respond to the complaint and to show compliance with the law.

On March 27, 2014, Respondent entered into an ACO whereby Respondent's license would be revoked. However, the revocation was stayed and Respondent was placed on probation for a period of two years. In addition, Respondent was required to pay \$184.01 in administrative costs within 30 days of the date of the Board Order.

On May 12, 2014, the Board received payment in full. On March 27, 2016, Respondent was removed from the Board's probation monitoring system.

<b>Respondent:</b>	<b>Paine, James Dennis</b>
<b>Hometown:</b>	<b>Dallas, Texas</b>
<b>Certificate No.:</b>	<b>048899</b>
<b>Investigation No.:</b>	<b>13-05-19L</b>
<b>Order Date:</b>	<b>March 27, 2014</b>

Respondent pleaded guilty to possession of a controlled substance, a felony, and received two years deferred adjudication. A complaint was filed against Respondent on May 10, 2013, and Respondent was provided with the opportunity to respond to the complaint and to show compliance with the law.

On March 27, 2014, Respondent entered into an ACO whereby Respondent's license would be revoked. However, the revocation was stayed and Respondent was placed on probation for a period of two years. Respondent was required to continue participation in a treatment program and counseling with a counselor approved by the Executive Director until the counselor reports in writing to the Board that treatment is no longer necessary. Respondent's counselor shall submit quarterly reports to the Board detailing Respondent's progress and confirming Respondent's continued participation in the treatment program. In addition, Respondent was required to pay \$141.39 in administrative costs within 30 days of the date of the Board Order.

On June 16, 2014, the Board received payment in full. Respondent submitted quarterly reports in a timely matter. On March 27, 2016, Respondent was removed from the Board's probation monitoring system.



**Agenda Item IX**

**Unauthorized Practice of Public Accountancy**

**May 12, 2016**

**Status Docket**

**BOARD REPORTING PERIOD FEBRUARY 29, 2016 THROUGH April 15, 2016**

OPEN FILES AT START	223
NEW FILES OPENED	66
<b>TOTAL UPPA FILES</b>	<b>298</b>
UPPA FILES CLOSED	69
<b>OPEN FILES AT END</b>	<b>220</b>

**UPPA CLOSED FILES:**

VOLUNTARY COMPLIANCE	68
AGREED CEASE AND DESIST ORDERS	1
FILES REFERRED TO BEHAVIORAL ENFORCEMENT COMMITTEE	0
OTHER	0
<b>TOTAL</b>	<b>69</b>

<b>RATIFIED BY BOARD - March</b>	<b>0</b>
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X

## **Agenda Item X**

### **Consideration of Agreed Consent Orders, Agreed Cease and Desist Order and Proposals for Decision**

**May 12, 2016**

#### **A. AGREED CONSENT ORDERS**

##### **Behavioral Enforcement Committee**

1. Investigation Nos. 15-04-06L, 15-04-07L, 15-04-12L & 15-04-13L
2. Investigation Nos. 15-12-08L & 15-12-09L

##### **Technical Standards Review Committee**

1. Investigation Nos. 15-10-10L, 15-10-11L, & 15-10-12L
2. Investigation No. 15-10-13L
3. Investigation Nos. 13-01-29L & 13-01-30L

#### **B. MASS HEARINGS**

1. Investigation Nos. 15-12-10001 - 15-12-10027
2. Investigation Nos. 16-01-10001 - 16-01-10019
3. Investigation Nos. 15-12-10028 - 15-12-10215
4. Investigation Nos. 16-01-10020 - 16-01-10179
5. Investigation Nos. 15-12-10216 - 15-12-10223
6. Investigation Nos. 16-01-10180 - 16-01-10193

#### **C. AGREED CEASE AND DESIST ORDER**

- Laura Van Cleave



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

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

No Board committee considered these actions.

<u>Docket</u>	<u>Investigation Numbers</u>	<u>Hearing Date</u>
5. 457-16-1029	15-12-10216 - 15-12-10223	January 26, 2016
6. 457-16-1408	16-01-10180 - 16-01-10193	February 23, 2016

**C. AGREED CEASE AND DESIST ORDER (ACDO)**

**Investigator – Marissa Mahoney**

- **Investigation No.: 16-03-01N**  
**Respondent: Laura Van Cleave**  
**Hometown: Round Rock, Texas**  
**Act Violation: 901.456**

Respondent entered into an ACDO with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the *Act*, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent provided an attest service, an audit, although Respondent does not hold a firm license in Texas. This action constitutes a violation of *Section 901.456* of the *Act*.

No committee considered this matter.



## **Agenda Item XI**

### **Adoption of Board Rules (Second Reading)**

**May 12, 2016**

**DISCUSSION:** The rule listed below was proposed for amendment on first reading at the March 24, 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 527.2 (Definitions)*
2. *Section 527.3 (Standards for Peer Reviews and Sponsoring Organizations)*
3. *Section 527.4 (Enrollment and Participation)*
4. *Section 527.5 (Successive Deficient Reviews)*
5. *Section 527.6 (Reporting to the Board)*
6. *Section 527.7 (Peer Review Oversight Board)*
7. *Section 527.10 (Peer Review Report Committee)*
8. *Section 527.11 (Responsibilities of Peer Review Report Committee)*



**ORDER ADOPTING RULE**

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

**§527.2. Definitions**

On March 24, 2016, the Texas State Board of Public Accountancy (the Board) considered a proposal to adopt an amendment to Board Rule 527.2 concerning Definitions.

Notice of the proposed rule was published in the April 8, 2016 issue of the Texas Register (41 TexReg 2573). 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 527.2 for the reasons stated in the attached Rule Adoption Preamble, and incorporates into this Order the Rule Adoption Preamble for Board Rule 527.2.

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 May 12, 2016 action.

---

J. Coalter Baker, CPA, Presiding Officer

**RULE ADOPTION PREAMBLE**

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

**§527.2. Definitions**

The Texas State Board of Public Accountancy (the "Board") adopts an amendment to Board Rule 527.2 concerning Definitions.

The amendment adds the definition of "assigned review date," replaces "Peer Review State Board Access" with "Facilitated State Board Access," and includes changes intended to provide clarity.

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 March 24, 2016, the Board voted to accept the proposed amendment to Board Rule 527.2, 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 April 8, 2016 (41 TexReg 2573), with a request for comments from the public.

No comments were received by the Board.

§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).

**ORDER ADOPTING RULE**

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

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

On March 24, 2016, the Texas State Board of Public Accountancy (the Board) considered a proposal to adopt an amendment to Board Rule 527.3 concerning Standards for Peer Reviews and Sponsoring Organizations.

Notice of the proposed rule was published in the April 8, 2016 issue of the Texas Register (41 TexReg 2575). 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 527.3 for the reasons stated in the attached Rule Adoption Preamble, and incorporates into this Order the Rule Adoption Preamble for Board Rule 527.3.

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 May 12, 2016 action.

---

J. Coalter Baker, CPA, Presiding Officer

**RULE ADOPTION PREAMBLE**

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

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

The Texas State Board of Public Accountancy (the "Board") adopts an amendment to Board Rule 527.3 concerning Standards for Peer Reviews and Sponsoring Organizations.

The amendment deletes "SPRPR" and replaces it with "the Standards" in subsection (a).

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 March 24, 2016, the Board voted to accept the proposed amendment to Board Rule 527.3, 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 April 8, 2016 (41 TexReg 2575), with a request for comments from the public.

No comments were received by the Board.

*§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.

**ORDER ADOPTING RULE**

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

**§527.4. Enrollment and Participation**

On March 24, 2016, the Texas State Board of Public Accountancy (the Board) considered a proposal to adopt an amendment to Board Rule 527.4 concerning Enrollment and Participation.

Notice of the proposed rule was published in the April 8, 2016 issue of the Texas Register (41 TexReg 2575). 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 527.4 for the reasons stated in the attached Rule Adoption Preamble, and incorporates into this Order the Rule Adoption Preamble for Board Rule 527.4.

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 May 12, 2016 action.

---

J. Coalter Baker, CPA, Presiding Officer

**RULE ADOPTION PREAMBLE**

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

**§527.4. Enrollment and Participation**

The Texas State Board of Public Accountancy (the "Board") adopts an amendment to Board Rule 527.4 concerning Enrollment and Participation.

The amendment clarifies that the relevant services are attest services, adds grammatical revisions for clarity, reduces the amount of time to enroll in a peer review program from 12 months to 30 days, designates the executive director with the authority to require an accelerated peer review, requires the firm to notify the Board of any extensions of time to complete a review within 15 days of the extension, submit a request to the Board of a change in sponsoring organization within 30 days of having been rejected by their sponsoring organization, and identifying succeeding firm as a successor firm.

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 March 24, 2016, the Board voted to accept the proposed amendment to Board Rule 527.4, 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 April 8, 2016 (41 TexReg 2575), with a request for comments from the public.

No comments were received by the Board.

*§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 services ~~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 whose highest level of service is ~~which only performs~~ preparation engagements under SSARS is not required to participate in the program.

(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 attest 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 30 days ~~12 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 successor ~~succeeding~~ firm. The successor ~~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.

**ORDER ADOPTING RULE**

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

**§527.5. Successive Deficient Reviews**

On March 24, 2016, the Texas State Board of Public Accountancy (the Board) considered a proposal to adopt an amendment to Board Rule 527.5 concerning Successive Deficient Reviews.

Notice of the proposed rule was published in the April 8, 2016 issue of the Texas Register (41 TexReg 2577). 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 527.5 for the reasons stated in the attached Rule Adoption Preamble, and incorporates into this Order the Rule Adoption Preamble for Board Rule 527.5.

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 May 12, 2016 action.

---

J. Coalter Baker, CPA, Presiding Officer

**RULE ADOPTION PREAMBLE**

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

**§527.5. Successive Deficient Reviews**

The Texas State Board of Public Accountancy (the "Board") adopts an amendment to Board Rule 527.5 concerning Successive Deficient Reviews.

The amendment will make it clearer that the Board has the authority to take action after only one deficient peer review. The Board action could include an accelerated review but could also include removing attest services from the firm's practice in addition to imposing a sanction. If, however, a firm fails two consecutive peer reviews the proposed changes would not allow the firm to provide attest services except to complete the services it had already begun and then only after a pre-issuance review by a third party of the firm's work. The amendment also states that a firm that has been taken out of attest work, but allowed to complete work it had already begun, be given up to 60 days as opposed to 30 days as proposed, to close out the engagement.

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 March 24, 2016, the Board voted to accept the proposed amendment to Board Rule 527.5, 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 April 8, 2016 (41 TexReg 2577), with a request for comments from the public.

No comments were received by the Board.

*§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 successor succeeding 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 shall on a system or engagement review may be required to have an accelerated review by the Peer Review Committee.~~

~~(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 60 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 services 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 services 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 60 days of the acceptance of the peer review report and LOR by the sponsoring organization.

~~(d) (e) A firm may petition the board in writing 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.~~

**ORDER ADOPTING RULE**

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

**§527.6. Reporting to the Board**

On March 24, 2016, the Texas State Board of Public Accountancy (the Board) considered a proposal to adopt an amendment to Board Rule 527.6 concerning Reporting to the Board.

Notice of the proposed rule was published in the April 8, 2016 issue of the Texas Register (41 TexReg 2578). 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 527.6 for the reasons stated in the attached Rule Adoption Preamble, and incorporates into this Order the Rule Adoption Preamble for Board Rule 527.6.

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 May 12, 2016 action.

---

J. Coalter Baker, CPA, Presiding Officer

**RULE ADOPTION PREAMBLE**

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

**§527.6. Reporting to the Board**

The Texas State Board of Public Accountancy (the "Board") adopts an amendment to Board Rule 527.6 concerning Reporting to the Board.

The amendment will delete "PRSBA" and replace it with "FSBA."

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 March 24, 2016, the Board voted to accept the proposed amendment to Board Rule 527.6, 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 April 8, 2016 (41 TexReg 2578), with a request for comments from the public.

No comments were received by the Board.

*§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 Compliance Reporting form and submit it to the board along with the required documents.

(d) The information required under subsection (c) of this section must be filed with the board either by mail or electronically such as by fax, email, or FSBA PRSBA web site.

**ORDER ADOPTING RULE**

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

**§527.7. Peer Review Oversight Board**

On March 24, 2016, the Texas State Board of Public Accountancy (the Board) considered a proposal to adopt an amendment to Board Rule 527.7 concerning Peer Review Oversight Board.

Notice of the proposed rule was published in the April 8, 2016 issue of the Texas Register (41 TexReg 2579). 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 527.7 for the reasons stated in the attached Rule Adoption Preamble, and incorporates into this Order the Rule Adoption Preamble for Board Rule 527.7.

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 May 12, 2016 action.

---

J. Coalter Baker, CPA, Presiding Officer

**RULE ADOPTION PREAMBLE**

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

**§527.7. Peer Review Oversight Board**

The Texas State Board of Public Accountancy (the "Board") adopts an amendment to Board Rule 527.7 concerning Peer Review Oversight Board.

The amendment will delete language in subsections (a) and (f) to more closely follow the language found in §527.3.

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 March 24, 2016, the Board voted to accept the proposed amendment to Board Rule 527.7, 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 April 8, 2016 (41 TexReg 2579), with a request for comments from the public.

No comments were received by the Board.

*§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 the 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;

(3) make recommendations to the board as to approval of the applicant as a sponsoring organization.

(f) Annually the PROB shall provide the board's Peer Review Committee with a report on the continued reliance of sponsoring organizations' peer reviews. The PROB report shall provide reasonable assurance that peer reviews are being conducted and reported on consistently and in accordance with the Standards for Performing and Reporting on

Peer Reviews (the Standards) promulgated by the AICPA Peer Review Board. A summary of oversight visits shall be included with the annual report.

**ORDER ADOPTING RULE**

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

**§527.10. Peer Review Report Committee**

On March 24, 2016, the Texas State Board of Public Accountancy (the Board) considered a proposal to adopt an amendment to Board Rule 527.10 concerning Peer Review Report Committee.

Notice of the proposed rule was published in the April 8, 2016 issue of the Texas Register (41 TexReg 2580). 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 527.10 for the reasons stated in the attached Rule Adoption Preamble, and incorporates into this Order the Rule Adoption Preamble for Board Rule 527.10.

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 May 12, 2016 action.

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J. Coalter Baker, CPA, Presiding Officer

**RULE ADOPTION PREAMBLE**

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

**§527.10. Peer Review Report Committee**

The Texas State Board of Public Accountancy (the "Board") adopts an amendment to Board Rule 527.10 concerning Peer Review Report Committee.

The amendment deletes the word "accounting" in paragraph (1) and replaces it with "assurance," deletes the phrase "or an unmodified report" in the same paragraph, and deletes language concerning AICPA standards to more closely follow the language found in §527.3.

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 March 24, 2016, the Board voted to accept the proposed amendment to Board Rule 527.10, 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 April 8, 2016 (41 TexReg 2580), with a request for comments from the public.

No comments were received by the Board.

*§527.10. Peer Review Report Committee.*

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.

(8) Each PRRC member must comply with the confidentiality requirements of §901.161 of the Act (relating to Privilege for Certain Information). The sponsoring organization

may annually require its PRRC members to sign a statement acknowledging their appointments and the responsibilities and obligations of their appointments.

(9) A PRRC decision to accept a report must be made by not fewer than three members who satisfy the above criteria.

**ORDER ADOPTING RULE**

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

**§527.11. Responsibilities of Peer Review Report Committee**

On March 24, 2016, the Texas State Board of Public Accountancy (the Board) considered a proposal to adopt an amendment to Board Rule 527.11 concerning Responsibilities of Peer Review Report Committee.

Notice of the proposed rule was published in the April 8, 2016 issue of the Texas Register (41 TexReg 2581). 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 527.11 for the reasons stated in the attached Rule Adoption Preamble, and incorporates into this Order the Rule Adoption Preamble for Board Rule 527.11.

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 May 12, 2016 action.

---

J. Coalter Baker, CPA, Presiding Officer

**RULE ADOPTION PREAMBLE**

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

**§527.11. Responsibilities of Peer Review Report Committee**

The Texas State Board of Public Accountancy (the "Board") adopts an amendment to Board Rule 527.11 concerning Responsibilities of Peer Review Report Committee.

The amendment deletes language in paragraph (1) to more closely follow the language found in §527.3 and deletes the word "insuring" and replaces it with "ensuring" in paragraph (7).

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 March 24, 2016, the Board voted to accept the proposed amendment to Board Rule 527.11, 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 April 8, 2016 (41 TexReg 2581), with a request for comments from the public.

No comments were received by the Board.

*§527.11.Responsibilities of Peer Review Report Committee.*

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 XII**

### **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 <sup>1</sup> 10:00						3 <sup>1</sup> 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 <sup>2</sup>	15	2 <sup>2</sup>	21 <sup>2</sup>	30		4		5		11 24-25	26
Behavioral Enforcement	6 9:00			27 9:15								
CPE		17 9:30										
CEC												
Executive	13 2:30		23 1:00		11 1:00							
Licensing												
Qualifications												
New Member Orientation												
Peer Assistance												
Peer Review		9 1:00	23 1:30									
Rules	13 1:30		23 1:30		11 1:30							
TSR		9 10:00		26 10:00								

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

<sup>2</sup>Skeleton crew holiday



## **Agenda Item XIII**

### **Adjournment**

**May 12, 2016**

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