

The Rules Committee of the Texas State Board of Public Accountancy is holding a meeting by online video conference pursuant to the executive order issued by Governor Greg Abbott on March 16, 2020, suspending certain provisions of the Texas Open Meetings Act and permitting fully-virtual governing body meetings if they meet certain requirements identified by the Office of the Governor and the Office of the Attorney General. The public may join the meeting with the following meeting link:

Topic: Rules/Licensing Committee Meeting

Time: Jul 14, 2021 01:30 PM Central Time (US and Canada)

<https://www.zoomgov.com/j/1618206407?pwd=K1NnaWpqcXRmR2hBNXpxKzIMeXNUUT09>

Meeting ID: 161 820 6407

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Meeting ID: 161 820 6407

Agenda Item V
Rules Committee Agenda
July 15, 2021
1:30 p.m.

- A. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 526 – Board Opinions*, 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 527 – Peer Review*, of the Board’s *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.
- C. Discussion, consideration, and possible action concerning SB968 (Section) 14 Implementation – Vaccine Passports.
- D. Discussion, consideration, and possible action concerning a proposed amendment to Board *Rule 515.11 (Licensing for Military Service Members, Military Veterans, and Military Spouses)*.
- E. Schedule next meeting.

Agenda Item V
Rules Committee Agenda
July 15, 2021
1:30 p.m.

- A. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 526 – Board Opinions*, of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.

DISCUSSION: The Board has a process for the issuance of an advisory opinion. As a practice, however, non-binding advisory opinions are issued by the staff rather than the Board. The Board effectively issues its opinions through its rule making process. The staff has no proposed revisions to these rules.

RECOMMENDATION: The staff recommends that the Rules Committee recommend to the Board that it re-adopt the rules without revision.

SUGGESTED MOTION: That the Rules Committee recommends that the Board re-adopt the rules without revision.

1 CHAPTER 526 BOARD OPINIONS
2 RULE §526.1 Issuance of Opinions

3
4 The board may issue opinions upon the written request of any person. These opinions
5 shall be based on actual facts specific to the situation and submitted in accordance with
6 board instructions and shall be limited to areas within the board's jurisdiction. The board
7 may determine not to issue an opinion.

1 CHAPTER 526 BOARD OPINIONS

2 RULE §526.2 Procedure

3

4 (a) The appropriate board committee will review requests for opinions and determine if
5 the opinion request is appropriate for board consideration and if so submit a
6 recommended action to the board. The board may decline to consider requests for
7 opinions on interpretations of the Act or board rules. All recommendations will be
8 submitted for consideration by the board at a regularly scheduled meeting.

9 (b) The board will consider the recommendation of the committee and will:

10 (1) decline to ratify the recommendation of the committee;

11 (2) approve or amend the recommendation of the committee and issue an opinion; or

12 (3) take such other action as the board may deem appropriate.

1 CHAPTER 526 BOARD OPINIONS
2 RULE §526.3 Advisory Opinions

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4

The board's staff or board members may issue an opinion to any person with a cover
5 letter clearly identifying that the opinion is advisory in nature, and is restricted to the
6 specific fact situation identified in the opinion, and is not binding on the board. Board
7 staff may respond to routine questions without the need for issuing formal staff opinions.

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Rules Committee Agenda
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1:30 p.m.

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

DISCUSSION: The Peer Review Committee is recommending one revision to the *Chapter 527* rules. The committee proposes to revise the definition of systems review so as not to require an on-site peer review. With today’s technology, the committee does not believe that an on-site review is always warranted.

RECOMMENDATION: The staff recommends that the Rules Committee recommend to the Board that it re-adopt the rules that are not proposed to be revised and authorize the executive director to publish in the *Texas Register* for public comment the proposed revision to the definition of systems review in *Board Rule 527.2* to eliminate the requirement for an on-site review.

SUGGESTED MOTION: That the Rules Committee recommends to the Board that it re-adopt the rules that are not proposed to be revised and authorize the executive director to publish in the *Texas Register* for public comment the proposed revision to the definition of systems review in *Board Rule 527.2* to eliminate the requirement for an on-site review.

1 CHAPTER 527 PEER REVIEW
2 RULE §527.1 Establishment of Peer Review Program

- 3
- 4 (a) Pursuant to §901.159 of the Act (relating to Peer Review), the board establishes a
5 peer review program to monitor CPAs' compliance with applicable accounting, auditing
6 and other attestation standards adopted by generally recognized standard-setting
7 bodies. The program may include education, remediation, disciplinary sanctions or other
8 corrective action where reporting does not comply with professional or regulatory
9 standards.
- 10 (b) This chapter shall not require any firm to become a member of any sponsoring
11 organization and all sponsoring organization(s) shall charge the same administrative fee
12 to all firms participating in peer review regardless of their membership or affiliation with
13 a sponsoring organization.

3
4 The following words and terms used in this chapter shall have the following meanings,
5 unless the context clearly indicates otherwise.

6 (1) "Engagement Review" means a peer review evaluating engagements performed
7 and reported on in conformity with applicable professional standards in all material
8 respects and unless agreed to otherwise is performed off-site from the reviewed firm's
9 office and does not provide a basis for expressing any assurance regarding the firm's
10 system of quality control for its accounting practice.

11 (2) "Systems Review" means a an on-site peer review designed to provide a peer
12 reviewer with a reasonable basis for expressing an opinion on whether, during the year
13 under review:

14 (A) the reviewed firm's system of quality control for its accounting and auditing
15 practice has been designed in accordance with quality control standards; and

16 (B) the reviewed firm's quality control policies and procedures were being complied
17 with to provide the firm with reasonable assurance of performing and reporting in
18 conformity with applicable professional standards in all material respects.

19 (3) "Review Year" means the one-year (12-month) period covered by the peer review.
20 Financial statement engagements selected for review normally would have periods
21 ending during the year under review. Engagements related to financial forecasts or
22 projections, or agreed upon procedures engagements, with report dates during the year
23 under review would also be subject to selection for review.

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

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

29 (6) "Rating" of a peer review refers to the type of report issued. The three types of
30 reports are pass, pass with deficiencies, or fail. The peer review rating is clearly
31 indicated in the peer review report. A peer review report with a rating of pass with
32 deficiencies or fail is considered a deficient review.

1 (7) "Assigned review date" is the reporting due date to the board of an accepted peer
2 review report.

3 (8) "Acceptance date" of a peer review is the date that the sponsoring organization's
4 peer review report committee (PRRC), referred to in §527.9(a)(1) of this chapter
5 (relating to Procedures for a Sponsoring Organization), is presented the peer review
6 report on a review with the rating of pass and the PRRC approves the review. The
7 acceptance date and in this case the completion date of the peer review are the same
8 date and is noted in a letter from the administering entity to the reviewed firm. The
9 PRRC will be presented with the peer review report and the firm's letter of response on
10 reviews with a rating of pass with deficiencies or fail. Ordinarily, the PRRC will require
11 the reviewed firm to take corrective action(s) and those actions will be communicated in
12 a letter to the firm from the administering entity. In this circumstance, the "acceptance
13 date" is defined as the date that the reviewed firm signs the letter from the administering
14 entity agreeing to perform the required corrective action(s).

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

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

27 (11) "Facilitated State Board Access (FSBA)" is a secure website accessible only to
28 the state board that provides the most recently accepted peer review report, the firm's
29 letter of response (LOR), the corrective action letter (CAL), and the final letter of
30 acceptance (FLOA).

1 CHAPTER 527 PEER REVIEW
2 RULE §527.3 Standards for Peer Reviews and Sponsoring Organizations

3
4 (a) The board adopts Standards for Performing and Reporting on Peer Reviews (the
5 Standards) promulgated by AICPA and for public company audit firms, PCAOB
6 permanent inspections as its minimum standards for review of firms.

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

3
4 (a) Participation in the program is required of each firm licensed or registered with the
5 board that performs any attest services as defined in §901.002 of the Act (relating to
6 General Definitions) and §501.52(4), (11) and (23) of this title (relating to Definitions). A
7 firm whose highest level of service is preparation engagements under SSARS is not
8 required to participate in the program.

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

16 (c) Each firm required to participate under subsection (a) of this section shall enroll in
17 the applicable programs of an approved sponsoring organization within 30 days from its
18 initial licensing date or the performance of services that require a review. The firm shall
19 adopt the review due date assigned by the sponsoring organization, and must notify the
20 board of the peer review due date within 30 days of its assignment. In addition, a firm's
21 subsequent review is due three years and six months after the year end of the previous
22 peer review, or earlier as may be required by the sponsoring organization, a committee
23 of the board or the board's executive director. It is the responsibility of the firm to
24 anticipate its needs for review services in sufficient time to enable the reviewer to
25 complete the review by the assigned review due date.

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

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

- 1 (f) A firm that has been rejected by a sponsoring organization for any reason must make
2 a request in writing to the board for authorization to enroll in a program of another
3 sponsoring organization. Such request shall be made within 30 days of notification by
4 the sponsoring organization.
- 5 (g) A firm choosing to change to another sponsoring organization may do so provided
6 that the firm authorizes the previous sponsoring organization to communicate to the
7 succeeding sponsoring organization any outstanding corrective actions related to the
8 firm's most recent review. Any outstanding actions must be cleared and outstanding
9 fees paid prior to transfer between sponsoring organizations.
- 10 (h) An out-of-state firm practicing in this state pursuant to a practice privilege provided
11 for in §901.461 of the Act (relating to Practice by Certain Out-of-State Firms) and
12 §517.1 and §517.2 of this title (relating to Practice by Certain Out of State Firms and
13 Practice by Certain Out of State Individuals) must comply with the peer review program
14 of the state in which the firm is licensed.
- 15 (i) An out-of-state firm practicing in this state pursuant to a practice privilege from a
16 state without a peer review program must comply with §901.159 of the Act (relating to
17 Peer Review) and Chapter 517 of this title (relating to Practice by Certain Out-of-State
18 Firms and Individuals).
- 19 (j) An out-of-state firm practicing in this state pursuant to a practice privilege must
20 submit its peer review (or equivalent) documentation upon request of the board.
- 21 (k) Interpretive Comment. If a firm is subject to inspections pursuant to PCAOB and also
22 performs attest work not subject to such inspections, the firm must enroll in a peer
23 review program for review of its non-public company attest work in addition to the firm
24 inspection program required by the PCAOB.

- 3
- 4 (a) The board at its sole discretion may require a firm which has received a rating of
5 pass with deficiencies or fail to have an accelerated peer review or subject it to any
6 other disciplinary or corrective action under the Act.
- 7 (b) A firm, including a successor firm, which receives two consecutive reviews on a
8 system or engagement review with ratings of either pass with deficiencies or fail in any
9 order, or two pass with deficiencies shall be required to have an accelerated review. If
10 that accelerated review results in a rating of pass with deficiencies or fail:
- 11 (1) the firm may complete attest engagements for which field work has already begun
12 only if:
- 13 (A) prior to issuance of any report, the engagement is reviewed and approved by a
14 third party reviewer acceptable to the chairman of the Technical Standards Review
15 Committee or the Peer Review Committee; and
- 16 (B) the engagement is completed within 60 days of the acceptance of the peer review
17 report and LOR by the sponsoring organization; and
- 18 (2) the firm shall not perform any other attest services for a period of three years or
19 until given permission by the board to resume this practice.
- 20 (c) A firm, including a successor firm, which receives two consecutive reviews with a
21 rating of fail on a system or engagement review shall not perform any other attest
22 services for a period of three years or until given permission by the board to resume this
23 practice. The firm may complete attest engagements for which field work has already
24 begun only if:
- 25 (1) prior to issuance of any report, the engagement is reviewed and approved by a
26 third party reviewer acceptable to the chairman of the Technical Standards Review
27 Committee or the Peer Review Committee; and
- 28 (2) the engagement is completed within 60 days of the acceptance of the peer review
29 report and LOR by the sponsoring organization.
- 30 (d) A firm may petition the board in writing for a waiver from the provisions of this rule.

3
4 (a) A firm must submit to the board:

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

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

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

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

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

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

24 (2) Firms otherwise enrolled in the AICPA peer review program (including those whose
25 peer reviews are administered by the NPRC, and state CPA societies fully involved in
26 the administration of the AICPA Peer Review Program) must, within 10 days of receipt
27 of the notice of completion from the sponsoring organization, complete the board's Peer
28 Review Compliance Reporting form and submit it to the board along with the required
29 documents. However, this requirement may be met by allowing the firm's peer review
30 documents to be posted on the FSBA web site, with access granted to the board within
31 30 days of issuing its notice of acceptance to such firms on the FSBA web site.

- 1 (3) Firms subject to the PCAOB permanent firm inspection program must, within 10
- 2 days of receipt of the notice of completion from the PCAOB, complete the board's Peer
- 3 Review Compliance Reporting form and submit it to the board along with the required
- 4 documents.
- 5 (d) The information required under subsection (c) of this section must be filed with the
- 6 board either by mail or electronically such as by fax, email, or FSBA web site.

- 3
- 4 (a) The board shall retain the Peer Review Oversight Board (PROB) for the purpose of:
- 5 (1) monitoring sponsoring organizations to provide reasonable assurance that peer
- 6 reviews are being conducted and reported in accordance with the Standards
- 7 promulgated by the AICPA Peer Review Board;
- 8 (2) reviewing the policies and procedures of sponsoring organization applicants as to
- 9 their conformity with the peer review standards; and
- 10 (3) reporting to the board on the conclusions and recommendations reached as a
- 11 result of performing the functions in paragraphs (1) and (2) of this subsection.
- 12 (b) Information concerning a specific firm or reviewer obtained by the PROB during
- 13 oversight activities shall be confidential, and the firm's or reviewer's identity shall not be
- 14 reported to the board. Reports submitted to the board will not contain information
- 15 concerning specific firms or reviewers. Members of the PROB will be required to
- 16 execute a confidentiality statement for the sponsoring organization which they oversee.
- 17 (c) The PROB shall consist of active licensed Texas CPAs in a number sufficient to
- 18 meet the objectives of this section as determined by the board. No member of the
- 19 PROB shall be a current member of the board or one of its committees, the TSCPA's
- 20 Peer Review or Professional Conduct Committee, or the AICPA Professional Ethics
- 21 Executive Committees or Peer Review Board (including subcommittees). The members
- 22 should have extensive experience in accounting and auditing and in the practice of
- 23 public accountancy at the partner (or equivalent) level within the past five years. If a
- 24 member is associated with a firm subject to peer review, the member's firm must have
- 25 received a report with a rating of pass from its last peer review. Compensation of PROB
- 26 members shall be set by the board.
- 27 (d) The PROB shall make an annual recommendation to the board as to the
- 28 qualifications of an approved sponsoring organization to continue as an approved
- 29 sponsoring organization on the basis of the results of the following procedures:
- 30 (1) Where the sponsoring organization is the AICPA/NPRC, state CPA societies other
- 31 than Texas that are fully involved in the administering AICPA Peer Review Program, or

1 the PCAOB, PROB shall review the published oversight reports of those entities or
2 successors, to determine that there is an acceptable level of oversight;

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

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

8 (B) During such visits, the PROB shall:

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

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

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

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

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

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

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

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

28 (B) reviewers are provided with appropriate materials;

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

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

1 (E) the applicant has provided for an independent report acceptance body that
2 considers and accepts the reports of the review and requires corrective actions by firms
3 with significant deficiencies;
4 (3) make recommendations to the board as to approval of the applicant as a
5 sponsoring organization.
6 (f) Annually the PROB shall provide the board's Peer Review Committee with a report
7 on the continued reliance of sponsoring organizations' peer reviews. The PROB report
8 shall provide reasonable assurance that peer reviews are being conducted and reported
9 on consistently and in accordance with the Standards promulgated by the AICPA Peer
10 Review Board. A summary of oversight visits shall be included with the annual report.

1 CHAPTER 527 PEER REVIEW
2 RULE §527.8 Retention of Documents

- 3
4 (a) Each reviewer shall maintain all documentation necessary to establish that each
5 review conformed to the review standards of the relevant review program, including the
6 review working papers, copies of the review report, and any correspondence indicating
7 the firm's concurrence, non-concurrence, and any proposed remedial actions and any
8 related implementation.
- 9 (b) The documents described in subsection (a) of this section shall be retained by the
10 reviewer for a period of time corresponding to the retention period of the sponsoring
11 organization, and upon request of the PROB, shall be made available. In no event shall
12 the retention period be less than 120 days from the date of completion of the review by
13 the sponsoring organization.

- 3
- 4 (a) To qualify as a sponsoring organization, an entity must submit a peer review
5 administration plan to the board for review and approval by the PROB. The plan of
6 administration must:
- 7 (1) establish a PRRC and subcommittees as needed, and provide professional staff as
8 needed for the operation of the peer review program;
- 9 (2) establish a program to communicate to firms participating in the peer review
10 program the latest developments in peer review standards and the most common
11 findings in the peer reviews conducted by the sponsoring organization;
- 12 (3) establish procedures for resolving any disagreement which may arise out of the
13 performance of a peer review;
- 14 (4) establish procedures to resolve matters which may lead to the dismissal of a firm
15 from the peer review program, and conduct hearings pursuant to those procedures;
- 16 (5) establish procedures to evaluate and document the performance of each reviewer,
17 and conduct hearings, which may lead to the disqualification of a reviewer who does not
18 meet the AICPA standards;
- 19 (6) require the maintenance of records of peer reviews conducted under the program
20 in accordance with the records retention rules of the AICPA; and
- 21 (7) provide for periodic reports to the PROB on the results of the peer review program.
- 22 (b) A sponsoring organization is subject to review by the board and the PROB.
- 23 (c) The PCAOB is exempt from these requirements.

3
4 A PRRC is comprised of CPAs practicing public accountancy and formed by a
5 sponsoring organization for the purpose of accepting peer review reports submitted by
6 firms on peer review engagements.

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

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

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

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

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

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

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

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

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

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

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

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

1 (8) Each PRRC member must comply with the confidentiality requirements of
2 §901.161 of the Act (relating to Privilege for Certain Information). The sponsoring
3 organization may annually require its PRRC members to sign a statement
4 acknowledging their appointments and the responsibilities and obligations of their
5 appointments.

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

3
4 The PRRC shall:

5 (1) establish and administer the sponsoring organization's peer review program in
6 accordance with the AICPA Standards;

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

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

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

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

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

17 (7) establish and perform procedures providing reasonable assurance that reviews are
18 performed and reported on in accordance with the AICPA Standards for Performing and
19 Reporting on Peer Reviews;

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

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

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

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

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

- 4 (a) In order to balance the public's risk with the public's protection, the board is requiring
5 peer review of firms providing financial reporting services. In implementing the peer
6 review program, the board will consider the level of risk to the public of various attest
7 services and require different levels of peer review based on those risks. Those firms
8 that provide limited financial statement services can elect to perform non-attest
9 preparation engagements under SSARS which do not require peer review.
- 10 (b) A firm whose only level of financial reporting is preparation engagements under
11 SSARS must request on its annual license renewal an exemption from peer review.
- 12 (c) A firm that performs the following is subject to Engagement Peer Review.
- 13 (1) Compilations with disclosures or omitting substantially all disclosures and/or
14 reviews of financial statements performed in accordance with SSARS. If the firm
15 performs both an attest service and a preparation engagement(s), then the preparation
16 engagement(s) is also subject to review and could be selected for peer review.
- 17 (2) Reviews and/or agreed-upon procedures engagements performed in accordance
18 with SSAEs, or alternate wording engagements performed under the SSAEs, other than
19 examinations.
- 20 (d) A firm that performs the following is subject to a System Peer Review.
- 21 (1) Engagements performed in accordance with SAS;
- 22 (2) Engagements performed in accordance with Government Auditing Standards
23 (GAS);
- 24 (3) Examination engagements performed in accordance with SSAEs;
- 25 (4) Audits of non-SEC issuers performed in accordance with PCAOB standards; or
- 26 (5) Attestation of non-SEC issuers performed in accordance with PCAOB standards.

Agenda Item V
Rules Committee Agenda
July 15, 2021
1:30 p.m.

- C. Discussion, consideration, and possible action concerning SB968 (Section) 14 Implementation – Vaccine Passports.

DISCUSSION: SB 968, from the most recent session of the legislature, prohibits all businesses in the state from requiring evidence of an individual’s COVID-19 vaccination or post transmission recovery prior to gaining access to a firm or providing individual services. The legislation refers to it as a “vaccine passport.” All agencies are required by the legislation to ensure compliance with the law.

By revising Board *Rule 515.3* to include the language of SB968 prohibiting businesses from requiring a “vaccine passport” in the Board’s license renewal rule, the Board is responsive to the legislative directive. SB968 immediately follows the proposed rule revision.

RECOMMENDATION: The staff recommends that the Rules Committee recommend to the Board that it authorize the executive director to publish the revisions as proposed by staff in the *Texas Register* for public comment.

SUGGESTED MOTION: That the Rules Committee recommends that the Board authorize the executive director to publish the proposed revisions in the *Texas Register* for public comment.

1 CHAPTER 515

Licenses

2 RULE §515.3

License Renewals for Individuals and Firm Offices

3
4 (a) License renewals for individuals shall be as follows:

5 (1) Licenses for individuals have staggered expiration dates based on the last day of the
6 individual's birth month. The license will be issued for a 12-month period following the
7 initial licensing period.

8 (2) An individual's license will not be renewed if the individual has not earned the
9 required CPE credits, has not completed all required parts of the renewal, has not
10 completed the affidavit affirming the renewal submitted is correct or has not provided
11 the required fingerprinting unless it has been previously submitted to the board.

12 (3) At least 30 days before the expiration of an individual's license, the board shall send
13 notice of the impending license expiration to the individual at the last known address
14 according to board records. Failure to receive notice does not relieve the licensee from
15 the responsibility to timely renew nor excuse, or otherwise affect the renewal deadlines
16 imposed on the licensee.

17 (b) A licensee is exempt from any penalty or increased fee imposed by the board for
18 failing to renew the license in a timely manner if the individual establishes to the
19 satisfaction of board staff that the individual failed to renew the license because the
20 individual was serving as a military service member. In addition, the military service
21 member has an additional two years to complete any other requirement related to the
22 renewal of the military service member's license.

23 (c) License renewal requirements for firm offices shall be as follows:

24 (1) Licenses for offices of firms have staggered expiration dates for payment of fees,
25 which are due the last day of a board assigned renewal month. All offices of a firm will
26 have the same renewal month. All offices of a firm will be issued a license for a 12-
27 month period following the initial licensing period.

28 (2) At least 30 days before the expiration of a firm's office license, the board shall send
29 notice of the impending license expiration to the main office of the firm at the last known
30 address according to the records of the board. Failure to receive notice does not relieve
31 the firm from the responsibility to timely renew nor excuse, or otherwise affect the
32 renewal deadlines imposed on the firm.

33 (3) A firm's office license shall not be renewed unless the sole proprietor, each partner,
34 officer, director, or shareholder of the firm who is listed as a member of the firm and who
35 is certified or registered under the Act has a current individual license. This does not
36 apply to firms providing work pursuant to the practice privilege provisions of this title.

37 (4) If a firm is subject to peer review, then a firm's office license shall not be renewed
38 unless the office has met the peer review requirements as defined in Chapter 527 of this
39 title (relating to Peer Review).

40 **(d) A firm and individual are subject to Section 161.0085 of the Health and Safety**
41 **Code which prohibits a business from requiring a client to provide any**
42 **documentation certifying the client's COVID-19 vaccination or post transmission**
43 **recovery in order to gain access or to receive services from the firm.**

1 **SB968 AS ENACTED 87th LEGISLATIVE SESSION**

2
3 SECTION 14. Subchapter A, Chapter 161, Health and Safety Code (SB 968), is
4 amended by adding Section 161.0085 to read as follows:

5 **Sec. 161.0085. COVID-19 VACCINE PASSPORTS PROHIBITED.**

6 (a) In this section, "COVID-19" means the 2019 novel coronavirus disease.

7 (b) A governmental entity in this state may not issue a vaccine passport, vaccine pass,
8 or other standardized documentation to certify an individual's COVID-19 vaccination
9 status to a third party for a purpose other than health care or otherwise publish or share
10 any individual's COVID-19 immunization record or similar health information for a
11 purpose other than health care.

12 (c) A business in this state may not require a customer to provide any documentation
13 certifying the customer's COVID-19 vaccination or post-transmission recovery on entry
14 to, to gain access to, or to receive service from the business. A business that fails to
15 comply with this subsection is not eligible to receive a grant or enter into a contract
16 payable with state funds.

17 (d) Notwithstanding any other law, each appropriate state agency shall ensure that
18 businesses in this state comply with Subsection (c) and may require compliance with
19 that subsection as a condition for a license, permit, or other state authorization
20 necessary for conducting business in this state.

21 (e) This section may not be construed to:

22 (1) restrict a business from implementing COVID-19 screening and infection control
23 protocols in accordance with state and federal law to protect public health; or

24 (2) interfere with an individual's right to access the individual's personal health
25 information under federal law.

Agenda Item V
Rules Committee Agenda
July 15, 2021
1:30 p.m.

- D. Discussion, consideration, and possible action concerning a proposed amendment to Board *Rule 515.11* (*Licensing for Military Service Members, Military Veterans, and Military Spouses*).

DISCUSSION: HB 139 was passed during this last legislative session (87th). It revised the definition of “Armed Forces of the United States” to include the recently created space force. Board *Rule 515.11* provides certain accommodations to military service members, veterans and spouses. Board *Rule 515.11* needs to be amended to include members of the “space force” to recognize those individuals as eligible for those licensing accommodations.

RECOMMENDATION: The staff recommends that the Rules Committee recommend to the Board that it authorize the executive director to publish the revisions as proposed by staff in the *Texas Register* for public comment.

SUGGESTED MOTION: That the Rules Committee recommends that the Board authorize the executive director to publish the proposed revisions in the *Texas Register* for public comment.

1 CHAPTER 515 LICENSES
2 RULE §515.11 Licensing for Military Service Members, Military Veterans, and
3 Military Spouses

4
5 (a) This section applies to all board licensing requirements, other than the examination
6 requirement, for the issuance of a license to a military service member, military veteran
7 or military spouse as applicable for the practice of public accountancy in this state.

8 (b) The following definitions apply to the licensing of service members, military veterans
9 and military spouses.

10 (1) "Active duty" means current full-time military service in the armed forces of the
11 United States or active duty military service as a member of the Texas military forces,
12 as defined by §437.001 of the Texas Government Code (relating to Definitions), or
13 similar military service of another state.

14 (2) "Armed forces of the United States" means the army, navy, air force, **space force**,
15 coast guard, or marine corps of the United States or a reserve unit of one of those
16 branches of the armed forces.

17 (3) "Military service member" means a person who is on active duty.

18 (4) "Military spouse" means a person who is married to a military service member.

19 (5) "Military veteran" means a person who has served on active duty and who was
20 discharged or released from active duty.

21 (c) A military service member, military veteran or military spouse may obtain a license if
22 the applicant for licensure:

23 (1) holds a current license issued by another jurisdiction that has licensing
24 requirements that are substantially equivalent to the licensing requirements in this state;

25 or

26 (2) within the five years preceding the application date held a license in this state.

27 (d) The executive director may waive any prerequisite to obtaining a license for an
28 applicant described in subsection (c) of this section after reviewing the applicant's
29 credentials. The board may not give credit if the applicant holds a restricted license
30 issued by another jurisdiction or has an unacceptable criminal history according to
31 Chapter 53 of the Texas Occupations Code (relating to Consequences of Criminal
32 Conviction).

- 1 (e) The board will process a license, as soon as practical, to a military service member,
2 military veteran or military spouse and issue a non-provisional license when the board
3 determines the applicant is qualified in accordance with board rules.
- 4 (f) The board will notify the license holder of the requirements for renewing the license
5 in writing or by electronic means and the term of the license.
- 6 (g) In lieu of the standard method(s) provided in §511.161 of this title (relating to
7 Qualifications for Issuance of a Certificate) for obtaining a license, a military service
8 member, military veteran or military spouse may be licensed and the executive director
9 may consider, other methods that demonstrate the applicant is qualified to be licensed.
- 10 (h) The board, pursuant to §511.123 of this title (relating to Reporting Work Experience),
11 requires a minimum of one year of work experience and the board shall credit verified
12 military service, training or education that is relevant toward this experience requirement
13 as described in §511.122(c)(3)(D) of this title (relating to Acceptable Work Experience).
- 14 (i) The board shall, with respect to a military service member or military veteran, apply
15 credit toward the licensing requirement for verified military service, training, or
16 education. The board may not substitute credit for the examination requirement.

Agenda Item V
Rules Committee Agenda
July 15, 2021
1:30 p.m.

E. Schedule next meeting.