

The Rules Committee and the Peer Review Committee of the Texas State Board of Public Accountancy are holding a joint meeting by online video conference call pursuant to §551.127 of the Open Meetings Act. The public may attend the meeting in-person at the office of the Board which is located at 505 E. Huntland Drive, Suite 370, Austin, Texas 78752. The Chair of the Rules Committee and the Peer Review Committee will be present at the 505 E. Huntland Drive location for the entirety of the meeting. In the alternative, the public may attend the meeting virtually using the following link.

Topic: Joint Rules\Peer Review Committee

Time: Sep 13, 2023 01:30 PM Central Time (US and Canada)

<https://www.zoomgov.com/j/1602438763?pwd=WnhvNVhMdHBjN1RaeE5MZGJxelZPd09>

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Agenda Item V
Joint Rules and Peer Review Committee Agenda
September 13, 2023
1:30 p.m.

- A. Discussion, consideration, and possible action concerning public comment on the proposed adoption of amendments to Board *Rules 511.56 – Educational Qualifications under the Act* and *511.57 – Qualified Accounting Courses*.
- B. Discussion, consideration, and possible action concerning public comment on the proposed adoption of amendments to Board *Rules 511.80 - Granting of Credit* and *511.83 - Granting of Credit by Transfer of Credit*.
- C. Discussion, consideration, and possible action concerning Board *Rules 527.5 – Deficient Reviews*.
- D. Schedule next meeting.

Agenda Item V
Joint Rules and Peer Review Committee Agenda
September 13, 2023
1:30 p.m.

- A. Discussion, consideration, and possible action concerning public comment on the proposed adoption of amendments to Board *Rules 511.56 – Educational Qualifications under the Act* and *511.57 – Qualified Accounting Courses*.

DISCUSSION: As a result of SB 159, 88th Session, the Board's rules have been proposed to be revised to address the amendments to the *Public Accountancy Act*. Rules were adopted at the July Board meeting effective immediately on an emergency basis. At the same Board meeting, the same rules were proposed for public comment. The Board has received the following comments on proposed rule amendments *511.56* and *511.57*. Proposed rules not receiving comments from the public will be considered by the Board as the last Board action item in your agenda books.

The Board received comments from Melanie Thompson.

Ms. Thompson asked for clarification regarding the required ethics class. She understood that the ethics class would not be used for satisfying the 120 hours needed to sit for the exam. She posed the question as to whether the ethics class could be used toward the 24 hours of business classes needed for licensing.

Response: It was the committee's intent that the ethics class not be applied toward the number of hours needed for business classes.

Ms. Thompson also recommended that the two-hour research class be a requirement of licensing and not for exam eligibility.

Response: This issue will be addressed at the next Qualifications Committee meeting which is scheduled for September 22, 2023.

The Board also received comments from the TXCPA.

Proposed Board *Rule 511.57(e)* requires a minimum of 12 hours of upper level accounting to take the UCPAE. The 12 upper level accounting hours includes intermediate accounting. Because most schools have two intermediate accounting courses this equates to six hours plus the additional upper level accounting classes. So instead of 21 hours of upper level accounting classes the result is a requirement of 24 hours of upper level accounting classes to take the exam.

Another comment concerned the requirement that a student must take two semester hours in research and analysis in order to be eligible to take the exam. This is in addition to the 21 hours of upper level accounting. The comment suggests that the requirement for research and analysis makes it more difficult for the student to be determined eligible to take the exam which was not the intent of SB 159.

The comment also suggests that requiring the research and analysis class earlier in their education causes problems in many university accounting programs

and is not consistent with the current practice to take the class toward the end of their education program. It will therefor interfere with many students' ability to take advantage of the intent of SB 159.

An additional comment was included which expressed concern that the proposed rule does not permit internships in the educational program for students in the state's community colleges.

Responses

To be determined following Rules Committee meeting.

Board received comments from Trinity University

Commenter expressed the belief that the Accounting/Tax Research and Analysis be a requirement to become certified and not a requirement to sit for the exam.

Commenter also expressed the belief that internships should be counted toward the required upper level accounting hours or required upper division business courses.

RECOMMENDATION: The staff recommends that the Rules Committee recommend to the Board the adoption of the proposed rules as published in the *Texas Register* and any amendments by the Rules Committee in response to comments from the public.

SUGGESTED MOTION: That the Rules Committee recommend to the Board that the Board adopt the proposed rule amendments published in the *Texas Register* for public comment and to include any amendments made in response to public comment.

ENF

AUG 07 2023

August 4, 2023

TSBPA
505 E. Huntland Dr. Ste 380
Austin, Texas 78752-3757

ATTN: Jerry Hill

Dear Jerry,

As a former Presiding Officer of the TSBPA, I understand how carefully crafted the Board rules are and how you actively seek input on proposed/emergency rules. Therefore, I am writing in response to the emergency rules regarding education requirements for the application of intent to sit for the CPA exam and for license issuance. I have two major concerns. One relates to the ethics class and the other relates to the research requirement. I also have a question related to the requirement for a bachelor's degree.

Under 551.56(a)(2)(B) and (C), the ethics class is not considered an accounting class for exam eligibility, but it is required for licensing. If the ethics class is not considered an accounting class for exam eligibility, then does it qualify as a business class for eligibility purposes? If the answer to that is yes, can it be reclassified as an ethics class for licensing if all the other criteria are also met? The treatment is not clear.

Under 511.57(g), 2 hours of research is required for exam eligibility. I recommend moving this to the criteria for licensing. One reason for this is the SACSCOC which governs accreditation for most of our universities has specific standards for graduate classes. Their Standard 9.6 says:

Post-baccalaureate professional degree programs and graduate degree programs are progressively more advanced in academic content than undergraduate programs and are structured (a) to include knowledge of the literature of the discipline and (b) to ensure engagement in research and/or appropriate professional practice and training.

For this reason, universities are most likely to include research as a graduate class. If they also have to offer one as an undergraduate, they might have to include two research classes in the curriculum. Additionally, research is important for students to develop higher order thinking skills. An undergraduate class might address simpler tasks such as locating sections of the Internal Revenue code. A graduate class would include more complex issues, including evaluating a situation, identifying the issues, and developing a solution. This is an important skill for CPAs. Moving this requirement to licensing could facilitate better prepared CPAs.

I realize there is no requirement for graduate classes. However, many universities have developed a 5-year program that concurrently awards both undergraduate and graduate degrees. Consideration of this fact further supports moving the research requirement to the licensing requirements.

The TSBPA has been allowing exam eligibility for students who met the eligibility requirements but had not received the bachelor's degree since both degrees would be awarded at the same time. Will that continue to apply under the new rules?

Thank you for considering my comments.

Sincerely,



Melanie Thompson, CPA

August 28, 2023

Mr. Jerry Hill
General Counsel
Texas State Board of Public Accountancy
505 E. Huntland Drive, Suite 380
Austin, TX 78752-3757

via email: JHill@tsbpa.texas.gov

Dear Mr. Hill,

On behalf of the Texas Society of Certified Public Accountants and the undersigned, we would like to submit the following comments on the proposed permanent rules relating to statutory changes (SB 159 from the 88th Regular Session) which changed the number of accounting hours required to begin sitting for the Uniform Certified Public Accountant Examination (UCPAE).

We appreciate the Texas State Board of Public Accountancy (TSBPA) adopting a number of rules on emergency basis during the July 2023 board meeting in order to have rules in place for the September 1, 2023, effective date of SB 159. As the Qualifications Committee, Rules Committee, and full Board consider adoption of permanent rules relating to the coursework and hours needed to begin to take the exam after completion of 120 semester hours, we provide the following comments.

1. Relating to Rule 511.57(e).

Subsection (e) states “A minimum of 12 hours with at least three semester hours to be taken in each of the following accounting course content area is required:

- (1) financial accounting and business reporting for business organizations that may include:
 - (A) intermediate accounting;
 - (B) advanced accounting; and
 - (C) accounting theory;
- (2) financial statement auditing;
- (3) taxation; and
- (4) accounting information systems.

Subsection (e) has raised some concern from TXCPA and educators. Because most schools have two intermediate accounting courses which equate to 6 semester hours, it will take 15 hours to meet the requirements of Subsection (e). It appears that the intent of Subsections (e) and (f) were to require a total of 21 semester hours of upper level (upper division) accounting in order to the



meeting the 21 semester hours of upper division accounting as set out in Rule 511.57(a). However, as written, Subsection (e)(1) pushes the 12-semester hour requirement towards 15 hours thereby making it more difficult for students to begin testing at 120 hours, including 21 hours of upper level. As drafted Rule 511.57(e) effectively makes the 21-semester requirement a 24-hour semester requirement.

- Subsection 511.57(e) could be amended to state:

“A minimum of 12 hours ~~with at least three semester hours~~ to be taken from ~~in each of the~~ following accounting course content area: ~~is required~~;

- Creating a list of accounting course content area from which a student may select courses to meet the 12 semester hours requirement set out in Rule 511.57(e) more closely aligns with the new UCPAE and the different education paths that accounting students take. The current structure of Rule 511.57 was established many years ago when the requirement to take the UCPAE required 150 semester hours. With the change in legislation (SB 159 – 120 hours to sit), Board rules should also be amended to reflect the new exam and student course selection options to enable the students to begin testing at 120 hours if they so choose.

2. Relating to Rule 511.57(f).

Rule 511.57(f) states a minimum of 9 hours from a list of accounting courses. Combined with Subsection (e), as written, Rule 511.57 will translate to 24 credit hours of upper level of accounting to be completed.

In order to maintain the 21-semester hour requirement as the Board envisions, we offer two changes in language.

- Subsection 511.57(f) could be amended to state:

“Effective January 1, 2024, the remaining upper division accounting courses required to meet the requirement of completing 21 semester hours may be taken from the following course content area:” ~~The remaining upper level accounting courses to meet the requirement of the 21 hours can be taken from the following accounting courses”~~

or

- “Effective January 1, 2024, a minimum of ~~(6)~~ (9) hours in any of the following accounting course content area is required.”



3. Accounting research course required to sit for UCPAE at 120 semester hours.

Currently, Rule 511.57(g) requires that a student have completed two semester hours in research and analysis to be eligible to sit for the UCPAE at the level of 120 semester hours, including the 21 hours of upper division accounting. TXCPA and the undersigned are concerned about this requirement for a number of reasons. First, the accounting research requirement in Rule 511.57(g) is the same requirement that was in place when the law required 150 semester hours to be eligible to take the UCPAE. At that time, prior to September 1, 2023, there is no debate that accounting research was required and could be taken within the 150 semester hours requirement. However, the change in the law (SB 159) now allows students to begin taking the exam at an earlier point in their education path where accounting research has not yet been taken.

Second, the mandated accounting research component as a requirement of the 21 hours of upper division accounting, creates an artificial barrier to students', who are ready and able, ability to begin testing at 120 hours. SB 159 opened the pathway for accounting students to begin testing earlier in a student's accounting education path and a requirement that accounting research be taken at a particular time in that education journey is counter to the intent of SB 159.

Elevating and mandating accounting research to a required course to meet the 21-semester hour requirement also causes significant issues in many university accounting programs. In addition, many accounting students typically take accounting research towards the end of their degree – closer to completing 150 semester hours. Many accounting research courses are similar to capstone research courses where students take the class towards the end of their education journey. By requiring students to have completed an accounting research course to be eligible to take the UCPAE, this will effectively make early testing impossible for a large number of students and make SB 159 ineffective. Students' eligibility to take the exam earlier will no longer exist and they will have to take the exam very close to or after completing 150 semester hours.

Please consider removing the mandate that two hours of accounting research be required to sit for the UCPAE and make accounting research an eligible course among the 12 hour bucket of courses.

4. **Please consider this a formal request that TSBPA look at revising, amending, altering or changing the state board rules to recognize internships for community college accounting students.** Students, wherever situated, and however they obtain their accounting education, should be afforded the same opportunity to obtain recognized internship hours and count those hours towards their education and CPA licensure.

ISSUE: The current rules of the TSBPA regarding the counting of self-directed study/internship hours results in the inequitable treatment of applicants seeking to meet the educational requirements for both taking the UCPAE and CPA certification requirements in Texas. TXCPA



educators believe that the counting of self-directed study/internship hours should be applied equitably to ALL applicants whether in traditional higher education programs or obtaining the required credit hours through approved community college programs. Students, whether traditional college students or those attending community college should be treated equally with regard to internship hours. There is no longer any justified rationale for treating students differently regarding internship credits.

RULE: Texas Administrative Code (TAC) Sec. 511.59(a) and TAC Sec. 511.59(b).

ANALYSIS: Under the current TSBPA rules, applicants can satisfy the educational requirements under either TAC Sec. 511.59(a) or (b). This bifurcation of applicants results in the inequitable treatment of applicants regarding the counting of credit hours received for self-directed study/internship hours for the purposes of meeting the educational requirements. For applicants with only a bachelor's degree and a deficiency in either upper division accounting hours or upper division business hours seeking to meet the requirements under TAC 511.59(b), these applicants are not allowed the option of self-directed study/internship hours (subject to the 9-semester hour limitation currently in the rules for TAC 511.59(a)). If an applicant seeks to meet the educational requirement under TAC Sec. 511.59(a), they can potentially receive up to 9 semester hours of educational credit for these courses. Given the pending rules changes resulting from the most recent legislative changes enacted, we would like to request that the Board modify this rule so that all applicants will be treated equitably going forward with respect to educational credit for self-directed study/internships.

RECOMMENDATION: Our recommendation would be to eliminate the provision for the counting of self-directed study/internship hours under the current rule, TAC Rule 511.57(f)(14). With the legislative change to reduce the number of educational credit hours required for applicants to begin taking the exam, TXCPA educators feel that any accounting student, wherever situated, should be afforded the same opportunity to receive internship credit. A large portion of the core exam is mostly theoretical in nature (some applied knowledge) and students need to focus on accumulating as much theoretical knowledge in accounting as they can before sitting for the exam.

Modification of TAC Rule 511.59 to eliminate the bifurcation of the applicants would be desired. The definition of the 150-semester hour rule for purposes of certification, should include credit for ALL applicants that complete self-directed study/internship hours (applied knowledge) up to the current limitation of 9 semester credit hours to assist students in obtaining the additional educational credits to meet the threshold for certification. The use of self-directed

study/internships is appropriate toward the end of the curriculum so that students can apply that theoretical knowledge from previous accounting courses in a real world setting via the internship with the appropriate supervision. It would be appropriate to move the internship requirements from the current rule TAC Sec. 511.57(f)(14) to the new rule for certification (TAC Sec. 511.164).



Thank you for your consideration of these comments on the rules and a further rules revision.
Please contact any of the undersigned if you need additional information or would like to discuss these issues.

Sincerely,



Jodi Ann Ray
President & CEO
TXCPA



Kenneth Besserman
Director of Government Affairs & Special Counsel
TXPCA

Tracie Miller Nobles
Program Chair MS and BS Accounting
Franklin University

Larry Stephens
Department Chair, Accounting
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TO: TSBPA Qualifications Committee

DATE: August 25, 2023

SUBJECT: Changes to the Texas Public Accountancy Act

We respectfully submit the following comments related to the proposed educational requirements as they pertain to the recent changes to the Texas Public Accountancy Act.

Accounting/Tax Research and Analysis Requirement - Trinity, as well as many other Texas higher education institutions, currently provide the two hours of Accounting/Tax Research and Analysis at the graduate level. This is done very intentionally, to ensure that students have a solid foundation in accounting prior to being asked to conduct in-depth research on these topics. We strongly encourage graduate research and have published academic papers with our graduate students. However, as a department, we believe that the higher-level critical thinking skills and the accounting knowledge required to effectively perform research are not developed by most students until after their undergraduate coursework. In addition, this proficiency does not seem to be an integral portion of the CPA exam. Therefore, we believe that the research component, while important, should be included as part of the requirements to become certified as a public accountant in the state of Texas, but not as part of the requirements to sit for the exam.

Internships – Internships are an integral component of our undergraduate curriculum. One of the primary ways in which students are ultimately convinced to enter the profession is through the internships that they serve in as part of their undergraduate coursework. As a small liberal arts school with a substantial curriculum that is required outside of the School of Business, it is not easy to accommodate 21 upper division hours of accounting, along with 24 hours of upper division business courses at the undergraduate level. While we understand the potential reasoning for not allowing the internship to count toward the 21 hours of upper division accounting, we are curious as to why these hours do not now count toward the 24 required upper division business hours. It is hard to think of a more valuable business experience. In addition, we are concerned that not allowing internships to count for either upper division accounting or business hours will dissuade some students from completing internships and, by extension, from pursuing a career in accounting.

We appreciate the opportunity to provide our feedback.

Thank you for your consideration.

1 CHAPTER 511 ELIGIBILITY
2 SUBCHAPTER C EDUCATIONAL REQUIREMENTS
3 RULE §511.56 Educational Qualifications under the Act **to take the UCPAE**

4
5 (a) An applicant for the UCPAE under the current Act shall meet the following
6 educational requirements at the time of filing the initial application to take the
7 examination and in order to qualify to take the examination:
8 (1) hold a baccalaureate or graduate degree conferred by an institution of higher
9 education as defined by §511.52 of this chapter (relating to Recognized Institutions of
10 Higher Education) recognized by the board; and
11 (2) complete no fewer than **120 150** semester hours or quarter-hour equivalents of
12 courses, as defined by §511.59 of this chapter (relating to Definition of **120 150**
13 Semester Hours **to take the UCPAE**) and consisting of:
14 (A) no fewer than **21 30** semester hours or quarter-hour equivalents of upper level
15 accounting courses as defined by §511.57 of this chapter (relating to Qualified
16 Accounting Courses **to take the UCPAE**) or §511.60 of this chapter (relating to
17 Qualified Accounting Courses Prior to January 1, 2024 **to take the UCPAE**); **and**
18 (B) no fewer than 24 semester hours or quarter-hour equivalents of upper level related
19 business courses, as defined by §511.58 of this chapter (relating to Definitions of
20 Related Business Subjects **to take the UCPAE**). **and Ethics Courses); and**
21 **(C) a 3-semester-hour board-approved ethics course as defined by §511.58 of this**
22 **chapter.**
23 (b) An applicant for the UCPAE who met the educational requirements of the Act that
24 were in effect at the time of taking the initial examination shall continue to be examined
25 under those requirements unless the applicant chooses to meet the current education
26 requirements of the Act.

1 CHAPTER 511 ELIGIBILITY
2 SUBCHAPTER C EDUCATIONAL REQUIREMENTS
3 RULE §511.57 Qualified Accounting Courses to take the UCPAE

4
5 (a) An applicant shall meet the board's accounting course requirements in one of the
6 following ways:

7 (1) Hold a baccalaureate or higher degree from a board-recognized institution of higher
8 education as defined by §511.52 of this chapter (relating to Recognized Institutions of
9 Higher Education) and present official transcript(s) from board-recognized institution(s)
10 that show degree credit for no fewer than 21 30 semester credit hours of upper division
11 accounting courses as defined in subsections (e), (f) and (g) of this section; or

12 (2) Hold a baccalaureate or higher degree from a board-recognized institution of higher
13 education as defined by §511.52 of this chapter, and after obtaining the degree,
14 complete the requisite 21 30 semester credit hours of upper division accounting
15 courses, as defined in subsections (e), (f) and (g) of this section, from four-year degree
16 granting institutions, or accredited community colleges, provided that all such
17 institutions are recognized by the board as defined by §511.52 or §511.54 of this
18 chapter (relating to Recognized Texas Community Colleges).

19 (b) Credit for hours taken at board-recognized institutions of higher education using the
20 quarter system shall be counted as 2/3 of a semester credit hour for each hour of credit
21 received under the quarter system.

22 (c) The board will accept no fewer than 21 30 semester credit hours of accounting
23 courses from the courses listed in subsections (e), (f) and (g) of this section. The hours
24 from a course that has been repeated will be counted only once toward the
25 required 21 30 semester hours. The courses must meet the board's standards by
26 containing sufficient accounting knowledge and application to be useful to candidates
27 taking the UCPAE. A board-recognized institution of higher education must have
28 accepted the courses for purposes of obtaining a baccalaureate or higher degree or its
29 equivalent, and they must be shown on an official transcript.

30 (d) Upper level accounting coursework recognized by the board and in effect prior to
31 January 1, 2024, may be found in §511.60 of this chapter (relating to Qualified
32 Accounting Courses Prior to January 1, 2024 to take the UCPAE).

(e) Effective January 1, 2024, the subject-matter content should be derived from the UCPAE Blueprint. A minimum of **12 15** semester hours with at least three semester hours in each of the following accounting course content area is required:

(1) financial accounting and reporting for business organizations that may include:

(A) intermediate accounting;

(B) advanced accounting; and

(C) accounting theory;

(2) financial statement auditing;

(3) taxation; and

(4) accounting information systems.

(f) Effective January 1, 2024, a minimum of **9 15** hours in any of the following accounting course content area is required:

(1) managerial or cost accounting (excluding introductory level courses);

(2) auditing and attestation services;

(3) internal accounting control and risk assessment;

(4) financial statement analysis;

(5) accounting research and analysis;

(6) up to 9 semester credit hours of taxation (including tax research and analysis);

(7) financial accounting and reporting for governmental and/or other nonprofit entities;

(8) up to 9 semester credit hours of accounting information systems, including management information systems ("MIS"), provided the MIS courses are listed or cross-listed as accounting courses, and the institution of higher education accepts these courses as satisfying the accounting course requirements for graduation with a degree in accounting;

(9) up to **9 12** semester credit hours of accounting data analytics, provided the institution of higher education accepts these courses as satisfying the accounting course requirements for graduation with a degree in accounting; business data analytics may be considered provided the courses are listed or cross-listed as accounting courses, and the institution of higher education accepts these courses as satisfying the accounting course requirements for graduation with a degree in accounting; (while data analytics tools may be taught in the courses, application of the tools should be the primary objective of the courses);

(10) fraud examination;

(11) international accounting and financial reporting;

(12) mergers and acquisitions;

(13) financial planning;

~~(14) an accounting internship program (not to exceed 3 semester credit hours) which meets the following requirements:~~

~~(A) the accounting knowledge gained is equal to or greater than the knowledge gained in a traditional accounting classroom setting;~~

~~(B) the employing firm provides the faculty coordinator and the student with the objectives to be met during the internship;~~

~~(C) the internship plan is approved in advance by the faculty coordinator;~~

~~(D) the employing firm provides significant accounting work experience with adequate training and supervision of the work performed by the student;~~

~~(E) the employing firm provides the student with training, supervision, periodic feedback and a final evaluation at the conclusion of the internship, provides a letter describing the duties performed and the supervision to the student, and provides a copy of the documentation to the faculty coordinator and the student;~~

~~(F) the student keeps a diary comprising a chronological list of all work experience gained in the internship;~~

~~(G) the student writes a paper demonstrating the knowledge gained in the internship;~~

~~(H) the student and/or faculty coordinator provides evidence of all items upon request by the board; and~~

~~(I) the internship course shall not be taken until a minimum of 12 semester credit hours of upper division accounting course work has been completed;~~

(14) ~~(15)~~ at its discretion, the board may accept up to three semester hours of credit of accounting course work with substantial merit in the context of a career in public accounting, provided the course work is predominantly accounting or auditing in nature but not included in paragraphs (1) - (13) of this subsection. For any course submitted under this provision, the Accounting Faculty Head or Chair must affirm to the board in writing the course's merit and content; and

(15) ~~(16)~~ at its discretion, the board may accept up to three semester credit hours of independent study in accounting selected or designed by the student under faculty

supervision. The curriculum for the course shall not repeat the curriculum of another accounting course that the student has completed.

(g) The board requires that a minimum of two semester credit hours in research and analysis relevant to the course content described in subsection (f) of this section be completed. The semester credit hours may be obtained through a standalone course or offered through an integrated approach. If the course content is offered through integration, the institution of higher education must advise the board of the course(s) that contain the research and analysis content. The course may be used toward the 9 15 semester credit hours of upper level accounting courses identified in subsection (f)(5) of this section.

(h) The following types of introductory courses do not meet the accounting course definition in subsections (e) and (f) of this section:

- (1) elementary accounting;
- (2) principles of accounting;
- (3) financial and managerial accounting;
- (4) introductory accounting courses; and
- (5) accounting software courses.

(i) Any CPA review course offered by an institution of higher education or a proprietary organization shall not be used to meet the accounting course definition.

(j) CPE courses shall not be used to meet the accounting course definition.

(k) An ethics course required in §511.58(d) of this chapter (relating to Definitions of Related Business Subjects to take the UCPAE and Ethics Courses) shall not be used to meet the accounting course definition in subsections (e) and (f) of this section.

(l) Accounting courses completed through an extension school of a board recognized educational institution may be accepted by the board provided that the courses are accepted for a business baccalaureate or higher degree conferred by that educational institution.

(m) The board may review the content of accounting courses and determine if they meet the requirements of this section.

(n) Credits awarded for coursework taken through the following organizations and shown on a transcript from an institution of higher education may not be used to meet the requirements of this chapter:

- 1 **(1) American College Education (ACE);**
- 2 **(2) Prior Learning Assessment (PLA);**
- 3 **(3) Defense Activity for Non-Traditional Education Support (DANTES); and**
- 4 **(4) Defense Subject Standardized Test (DSST).**

Agenda Item V
Joint Rules and Peer Review Committee Agenda
September 13, 2023
1:30 p.m.

- B. Discussion, consideration, and possible action concerning public comment on the proposed adoption of amendments to Board *Rules 511.80 - Granting of Credit* and *511.83 - Granting of Credit by Transfer of Credit*.

DISCUSSION: The NASBA/AICPA Uniform Model Act extended the validity of credit on each portion of the UCPAE from 18 months to 30 months. It is recommended that the rules of the exam be uniform nationally. The Qualifications Committee is recommending that the Board's rules provide the same extension of time.

The Qualifications Committee is also recommending that credit for passing the UCPAE have a time limitation to encourage timely certification. The recommendation is that credit on the exam should be limited to 36 months from the time all test sections are passed.

The Board received one comment from Zaman Hemani: Mr. Hemani suggested that the rule be effective retroactively to April 21, 2023. This is the date the NASBA Board of Directors voted to adopt the proposed model rule extension. Mr. Hemani suggested the retroactive date to prevent students from losing credit before the effective date of the rule.

Response: The current rule already permits, and the proposed rule provides the Executive Director with the authority to extend the expiration of a test score to provide uniformity with other state regulatory authorities or for reasonably unforeseeable or uncontrollable events.

RECOMMENDATION: The staff recommends that the Rules Committee recommend to the Board the adoption of the proposed rules as published in the *Texas Register* and any amendments by the Rules Committee in response to the comment received.

SUGGESTED MOTION: That the Rules Committee recommends to the Board that the Board adopt the proposed rule amendments published in the *Texas Register* for public comment as revised by the committee.

July 17, 2023

Texas State Board of Public Accountancy
505 E Huntland Dr, Suite 380
Austin Texas 78752

RE: Board Rules 511.80 and 511.83

Dear Board Members,

On April 21, 2023, NASBA Board of Directors voted to adopt an amendment to UAA Model Rule 5-7. This amendment increases the 18th month pass rule to 30 months. My comment to the Qualifications and Rules Committee is to retroactively instate the rules beginning April 21st, 2023, for all CPA candidates in the exam process. This will make an impact for students like myself who are already in the timeframe. I believe it makes sense to allow quick adoption to the NASBA amendment because delaying it until October may cause students to lose credits. However, instating the ruling from April may give students the chance to continue pursuing their CPA dream. This is true for students like me. I have accomplished 3 parts of the exam and as of now my exam credits will expire. Although I fully understood the 18-month rule, life happens to all of us. Being a fulltime worker and a caretaker to my mother and dealing with an illness challenged my exam prep process. I believe I speak for all students when I say that this journey is one of the most difficult professional academic activities one can undertake. I would urge the Qualifications and Rules Committee to seriously consider and act to allow adoption of the new ruling beginning retroactively in April 2023. Again, I reiterate the sacrifices made and the work put in to getting 75% complete. I feel an incredible loss if I lose my credits only to have the ruling change a few months in the future that could have impacted my future in such a massive way. Please consider making the adoption to the amendment retroactively and help students continue their dream of becoming a Texas CPA.

Thank you for your time and consideration.

Sincerely,

Zaman Hemani

Zaman Hemani

1 CHAPTER 511 ELIGIBILITY
2 SUBCHAPTER D CPA EXAMINATION
3 RULE §511.80 Granting of Credit

4
5 (a) The board shall grant credit to an applicant for the satisfactory completion of a
6 section of the UCPAE provided the applicant earns a passing score on the section as
7 determined by board rule. The credit shall be valid for **30 48** months from the actual
8 date of notification of passing score results. The **30 48** months may be temporarily
9 extended by the executive director, in accordance with §901.307(b) of the Act (relating
10 to Grading Examination), in order to provide for uniformity with other state regulatory
11 authorities or for reasonably unforeseeable or uncontrollable events.

12 (b) An applicant must pass the remaining sections within the next **30 48** months. Should
13 an applicant's exam credit be invalidated due to the expiration of **30 48** months without
14 earning credit on the remaining sections, the applicant remains qualified to take the
15 examination.

16 (c) An applicant receiving and retaining credit for every section on the UCPAE, **within a**
17 **30-month an 18-month** period, shall be considered by the board to have completed the
18 examination and may make application for certification as a CPA.

19 **(d) Effective January 1, 2024, an applicant under this section shall have 36**
20 **months from the time all test sections are passed to meet the education**
21 **requirements of §511.164 of this chapter (relating to Definition of 150 Semester**
22 **Hours to Qualify for Issuance of a Certificate) or the credit for all test sections will**
23 **expire.**

24 **(e) (d)** Effective January 1, 2024, an applicant who has an active credit on a section of
25 the UCPAE shall have earned credit on the newly structured UCPAE as follows:

26 (1) credit on auditing and attestation (AUD) shall transition to auditing and attestation
27 (AUD);

28 (2) credit on financial accounting and reporting (FAR) shall transition to financial
29 accounting and reporting (FAR);

30 (3) credit on regulation (REG) shall transition to taxation and regulation (REG); and

31 (4) credit on business environment and concepts (BEC) shall not transition to a specific
32 discipline as there is not an equivalent section, however, credit will be retained in lieu of
33 a discipline.

1 ~~(f)~~ ~~(e)~~ Effective January 1, 2024, the Board shall grant credit to an applicant for the
2 satisfactory completion of the following sections of the UCPAE provided the applicant
3 earns a passing score on the section as determined by board rule. The credit shall be
4 valid for ~~30~~ ~~18~~ months from the actual date of notification of passing score results:

5 (1) auditing and attestation (AUD);

6 (2) financial accounting and reporting (FAR);

7 (3) taxation and regulation (REG); and

8 (4) one of the following discipline sections:

9 (A) business analysis and reporting (BAR);

10 (B) information systems and controls (ISC); or

11 (C) tax compliance and planning (TCP).

12 ~~(g)~~ ~~(f)~~ An applicant who has received and retained credit for any or all sections on the
13 UCPAE may transfer such credits to another licensing jurisdiction if the applicant pays
14 in advance a transfer fee set by board rule as identified in §521.7 of this title (relating to
15 Fee for Transfer of Credits).

16 ~~(h)~~ ~~(g)~~ If the UCPAE is restructured by the AICPA, the board shall determine the
17 manner in which active credit earned prior to the restructure for a subject is integrated
18 into the new UCPAE.

19 ~~(i)~~ ~~(h)~~ Interpretive Comment: For the purpose of this section unforeseeable and
20 uncontrollable events include, but by are not limited to, the health of the applicant,
21 accidents limiting the applicant, military service, natural disasters, or acts of God.

1 CHAPTER 511 ELIGIBILITY
2 SUBCHAPTER D CPA EXAMINATION
3 RULE §511.83 Granting of Credit by Transfer of Credit

4
5 (a) In order for the board to grant credit to an applicant for partial completion of the
6 UCPAE given by the licensing authority of another jurisdiction the applicant must have
7 met the following requirements:

8 (1) earned a score of 75 or higher on any section of the examination;
9 (2) was awarded credit by the licensing authority of another jurisdiction for the section(s)
10 taken while an applicant of that board; and

11 (3) the credit awarded by the licensing authority of another jurisdiction has not expired.

12 (b) If the board accepts transfers of credit, it will also accept transfers of credit for
13 sections passed at subsequent examinations.

14 (c) The grades made by an applicant on sections under consideration must be the ones
15 reported to the licensing authority of another jurisdiction by the AICPA through NASBA.

16 (d) An applicant allowed credit for each section passed must pass the remaining
17 section(s) within the next 30 ~~18~~ months from the date credit was awarded or forfeit
18 credit received for that section.

19 (e) **Effective January 1, 2024, an applicant under this section shall have 36**
20 **months from the time all test sections are passed to meet the education**
21 **requirements of §511.164 of this chapter (relating to Definition of 150 Semester**
22 **Hours to Qualify for Issuance of a Certificate) or the credit for all test sections will**
23 **expire. An applicant who has earned the right to partial reexamination and who fails to**
24 **pass the remaining section(s) of the examination within the applicable time limits shall**
25 **lose the right to partial reexamination and must take the entire examination upon later**
26 **application.**

Agenda Item V
Joint Rules and Peer Review Committee Agenda
September 13, 2023
1:30 p.m.

- C. Discussion, consideration, and possible action concerning Board *Rule 527.5 – Deficient Reviews*.

DISCUSSION: Upon a finding of deficient peer reviews, current Board rules provide for a three-year suspension of attest work by a licensee. Upon the expiration of the three years, the suspension is automatically lifted without any demonstration by the licensee they are competent to perform attest services.

The proposed rule revision will eliminate the three-year suspension. It will however allow the licensee, upon obtaining the Board's approval, to provide attest services but only under the supervision of a third-party reviewer approved by the chair of the Technical Standards Review Committee or Peer Review Committee.

Board Rule 527.5 - *Deficient Reviews* applies to firms that perform peer reviewable services and receive three successive deficient reviews or two consecutive failed reviews on a system or engagement review. The rule provides prescriptive guidance to board staff to restrict a firm's ability to perform attest services for a period of three years or until given permission by the board to resume. The Peer Review Committee is to refer to the technical standards review committee firms with deficient reviews for which educational rehabilitation has not been effective [§505.10 (7)(b)]. Since this rule was modified in 2016, 67 firms have been placed on limited scope following this methodology.

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

SUGGESTED MOTION: That the committee recommend that the Board authorize the executive director to publish the proposed revisions in the Texas Register for public comment.

1 CHAPTER 527 PEER REVIEW
2 RULE §527.5 Deficient Reviews

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 and if approved by the Board may do so only
20 under the supervision of a third-party reviewer approved by the chair of the
21 Technical Standards Review Committee or Peer Review Committee; and to resume
22 this practice.

23 (3) the firm may only perform an attest service not under the supervision of a
24 third-party reviewer following the recommendation of the Technical Standards
25 Review Committee or the Peer Review Committee with the board's approval.

26 (c) A firm, including a successor firm, which receives two consecutive reviews with a
27 rating of fail on a system or engagement review shall not perform any other attest
28 services ~~for a period of three years or~~ until given permission by the board to resume this
29 practice. The firm may complete attest engagements for which field work has already
30 begun only if:

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

- 1 (2) the engagement is completed within 60 days of the acceptance of the peer review
2 report and LOR by the sponsoring organization; **and!**
- 3 **(3) if approved by the Board, the firm may perform attest services under the**
4 **supervision of a third-party reviewer approved by the chair of the Technical**
5 **Standards Review Committee or Peer Review Committee; and**
- 6 **(4) the firm may only perform an attest service not under the supervision of a**
7 **third-party reviewer following the recommendation of the Technical Standards**
8 **Review Committee or the Peer Review Committee with the board's approval.**
- 9 (d) A firm may petition the board in writing for a waiver from the provisions of this rule.

Agenda Item V
Joint Rules and Peer Review Committee Agenda
September 13, 2023
1:30 p.m.

D. Schedule next meeting.