

The Rules Committee of the Texas State Board of Public Accountancy is holding a 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 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: Rules Committee

Time: May 15, 2024 01:30 PM Central Time (US and Canada)

<https://www.zoomgov.com/j/1610954708?pwd=cy9PZG9vSmtNRTISb1lwcW41dTRDZz09>

Meeting ID: 161 095 4708

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Meeting ID: 161 095 4708

**Agenda Item V**  
**Rules Committee Agenda**  
**May 15, 2024**  
**1:30 p.m.**

- A. Discussion, consideration, and possible revision to Board *Rule 511.163 (Board-Approved Ethics Requirement and Examination on the Rules of Professional Conduct)*.
- B. Discussion, consideration, and possible revision to Board *Rule 523.130 (Ethics Course Requirements)*.
- C. Discussion, consideration, and possible revision to Board *Rule 523.140 (Program Standards)*.
- D. Schedule next meeting.



**Agenda Item V**  
**Rules Committee Agenda**  
**May 15, 2024**  
**1:30 p.m.**

- A. Discussion, consideration, and possible revision to Board *Rule 511.163 (Board-Approved Ethics Requirement and Examination on the Rules of Professional Conduct)*.

**DISCUSSION:** The Board wants a CPA to be familiar with the Board's Ethics Rules concurrent with initial licensure. With CPA candidates permitted to take the CPA Exam at 120 hours, the CPE on the Ethics Rules should not be tied to a rule addressing the exam. The requirement of CPE on the Rules of Professional Conduct is being removed from this rule in order that it may be addressed in Board *Rule 523.130* and initial licensure.

**RECOMMENDATION:** The committee recommends to the Board that it authorize the executive director to publish the revision 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 revision in the *Texas Register* for public comment as proposed.

1 CHAPTER 511 ELIGIBILITY  
2 SUBCHAPTER H CERTIFICATION  
3 RULE §511.163 ~~Board-Approved Ethics Requirement and~~ Examination on the  
4 ~~Board's~~ Rules of Professional Conduct **Requirements**

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5  
6 **An applicant applying for the issuance of the CPA certificate must pass an**  
7 **examination on the board's Rules of Professional Conduct.**

8 **(1) The examination on the Rules of Professional Conduct must be completed**  
9 **not more than six months prior to the issuance of the CPA certificate.**

10 **(2) A grade of 85% on the exam is considered passing.**

11 ~~(a) An applicant applying for the issuance of the CPA certificate must successfully~~  
12 ~~complete a board-approved four-hour ethics course of comprehensive study on the~~  
13 ~~board's Rules of Professional Conduct offered through a board-approved and registered~~  
14 ~~provider of CPE.~~

15 ~~(b) An applicant is not required to comply with subsection (a) of this section if the~~  
16 ~~applicant has completed an ethics course from a board-recognized institution of higher~~  
17 ~~education within two years of the date the board receives the applicant's application for~~  
18 ~~issuance of the CPA certificate.~~

19 ~~(c) An applicant applying for the issuance of the CPA certificate must also pass an~~  
20 ~~examination on the board's Rules of Professional Conduct.~~

21 ~~(1) The examination on the Rules of Professional Conduct must be completed not more~~  
22 ~~than six months prior to the issuance of the CPA certificate.~~

23 ~~(2) A grade of 85% on the exam is considered passing.~~

**Agenda Item V**  
**Rules Committee Agenda**  
**May 15, 2024**  
**1:30 p.m.**

- B. Discussion, consideration, and possible action concerning Board *Rule 523.130* (*Ethics Course Requirements*).

**DISCUSSION:** The Board wants a CPA to be familiar with the Board's Ethics Rules upon initial licensure. The proposed revision to Board *Rule 523.130* requires a licensee to take CPE on the Rules of Professional Conduct within two years of receiving their initial license and every two years thereafter.

**RECOMMENDATION:** The committee recommends to the Board that it authorize the executive director to publish the revision 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 revision as proposed in the *Texas Register* for public comment as proposed.

1 CHAPTER 523 CONTINUING PROFESSIONAL EDUCATION  
2 SUBCHAPTER C ETHICS RULES: INDIVIDUALS AND SPONSORS  
3 RULE §523.130 Ethics Course Requirements

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- 4
- 5 (a) **A licensee** ~~An applicant for certification or registration~~ must complete a board-  
6 approved four CPE credit ethics course, as required by §523.131 of this chapter  
7 (relating to Board Approval of Ethics Course Content), beginning two years  
8 following the expiration of initial licensure. This four CPE credit ethics course is  
9 designed to thoroughly familiarize the **licensee** ~~applicant~~ with the board's Rules of  
10 Professional Conduct ~~no more than two years prior to submission of the application.~~  
11 Proof of completion of this course must be submitted with the license renewal notice  
12 application.
- 13 (b) A licensee must take **the** ~~a~~ four CPE credit ethics course required by that has been  
14 approved by the board pursuant to §523.131 of this chapter and as defined in  
15 §523.102 of this chapter (relating to CPE Purpose and Definitions) ~~(relating to~~  
16 ~~Board Approval of Ethics Course Content)~~ every two years, and. ~~The licensee~~ shall  
17 report completion of the course on the annual license renewal notice at least every  
18 second year.
- 19 (c) A licensee granted retired, permanent disability, or other exempt status is not  
20 required to complete the ethics course during the licensee's exempt status. If the  
21 exempt status is no longer applicable, the licensee must complete an ethics course  
22 approved by the board and report it on the annual license renewal notice.
- 23 ~~(d) A licensee must take the ethics course in a program as defined in §523.102 of this~~  
24 ~~chapter (relating to CPE Purpose and Definitions).~~
- 25 ~~(d)~~ ~~(e)~~ A **licensee** ~~person~~ who does not reside in the state of Texas, who has no clients  
26 within this state, and who is current with the ethics course requirements of his state of  
27 residence is not required to take the mandated ethics course ~~mandated~~. A **licensee**  
28 ~~person~~ meeting these requirements may claim an exemption pursuant to §523.113 of  
29 this chapter (relating to Exemptions from CPE).

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- C. Discussion, consideration, and possible action concerning Board *Rule 523.140* (*Ethics Course Requirements*).

**DISCUSSION:** A CPE self-study program must contain at least three questions for each “learning objective” to help the student understand the materials studied. The rule was not intended to require three questions for each CPE credit. The rule is being revised to clarify that the questions must be tied to learning objectives.

**RECOMMENDATION:** The committee recommends to the Board that it authorize the executive director to publish the revision 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 revision in the *Texas Register* for public comment as proposed.

1 CHAPTER 523 CONTINUING PROFESSIONAL EDUCATION  
2 SUBCHAPTER D STANDARDS FOR CONTINUING PROFESSIONAL  
3 EDUCATION PROGRAMS AND RULES FOR SPONSORS  
4 RULE §523.140 Program Standards

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6 (a) Potential participants should be informed in advance of course content, learning  
7 objectives, prerequisites, and recommended credits so they can determine whether they  
8 are qualified to participate in and benefit from the program. The stated learning  
9 objectives should clearly communicate the specific areas of knowledge that will be  
10 covered. If there are no prerequisites for the course, a statement to this effect must be  
11 made.

12 (b) The program developer must organize the program around the stated learning  
13 objectives and must retain a copy of the final program, including electronic media, in  
14 accordance with §523.143(b) of this chapter (relating to Sponsor's Record). The final  
15 program must contain sufficient documentation to support the number of CPE credits  
16 granted. The course materials must be periodically reviewed to assure that they are  
17 accurate and consistent with currently accepted standards relating to the program's  
18 subject matter. The program developer should provide the instructor with separate  
19 materials that emphasize sections of the course that need reinforcement, if appropriate.

20 (c) Instructors must be qualified both with respect to program content and teaching  
21 methods used. Sponsors shall evaluate the performance of instructors at the conclusion  
22 of each program to determine their suitability for continuing to serve as instructors.

23 (d) All programs must provide for some means to evaluate both the competence of the  
24 instructor and the course material. Refer to §523.141 of this chapter (relating to  
25 Evaluation).

26 (e) Self-study programs must conform to the requirements outlined in §523.102(c)(2) of  
27 this chapter (relating to CPE Purpose and Definitions).

28 (1) Program must include at least three review questions for each **learning objective**  
29 **CPE credit, or two review questions if the program is marketed for one-half CPE credits**  
30 to allow the participant the opportunity to understand the material. Evaluative feedback  
31 must be provided for each incorrect response.

32 (2) To provide evidence of satisfactory completion of the course, CPE sponsors must  
33 require participants to successfully complete a final exam with a passing grade of at

1 least 70%. The final exam must have at least five questions for each CPE credit granted  
2 and no more than 25% of the questions be "true/false" in nature.

3 (3) Program or course expiration date. Course documentation must include an  
4 expiration date (the time by which the participant must complete the final exam). The  
5 expiration date should be no longer than one year from the date of purchase.

6 (f) Nano programs must use instructional methods that clearly define a minimum of one  
7 learning objective, guide the participant through a program of learning, and provide  
8 evidence of a participant's satisfactory completion of the program. Satisfactory  
9 completion of the program must be confirmed at the conclusion of the program by  
10 passing a final exam.

11 (1) To provide evidence of satisfactory completion of the course, CPE sponsors must  
12 require participants to successfully complete a final exam with a passing grade of 100  
13 percent before issuing CPE credit for the course. The final exam may contain questions  
14 of varying format (for example, multiple choice, rank order, and matching). Only two  
15 questions must be included on the final exam. "True or false" questions are not  
16 permissible on the final exam. If the participant fails the final exam CPE credit will not be  
17 granted. The participant may re-take the program and the number of re-takes permitted  
18 is at the sponsor's discretion.

19 (2) Program or course expiration date. Course documentation must include an  
20 expiration date. The expiration date is no longer than one year from the date of  
21 purchase.

22 (3) Based on materials developed for instructional use, Nano programs must be based  
23 on materials specifically developed for instructional use and not on third-party materials.  
24 Nano learning programs requiring only the reading of general professional literature,  
25 IRS publications, or reference manuals followed by an assessment will not be  
26 acceptable.

27 (g) Blended programs must use instructional methods that clearly define learning  
28 objectives and guide the participant through a program of learning. Pre-program, post-  
29 program, and homework assignments should enhance the learning program experience  
30 and must relate to the defined learning objectives of the program.

31 (1) Blended programs include different learning or instructional methods (for example,  
32 lectures, discussion, guided practice, reading, games, case studies, and simulation);

1 different delivery methods (group live, group Internet based, nano learning, or self  
2 study); and/or different levels of guidance (for example, individual, instructor or subject  
3 matter expert led, or group and social learning). To guide participants through the  
4 learning process, CPE program sponsors must provide clear instructions and  
5 information to participants that summarize the different components of the program and  
6 what must be completed or achieved during each component in order to qualify for CPE  
7 credits. The CPE program sponsor must document the process and components of the  
8 course progression and completion of components by the participants.

9 (2) To provide evidence of satisfactory completion of sections of the course that are  
10 not "live" (such as nano or self-study) CPE sponsors must require participants to  
11 successfully complete an exam with a passing grade appropriate to the delivery method  
12 (i.e. 70% for self-study, 100% for nano).

13 (h) Sponsors are responsible for ensuring the participants register their attendance  
14 during the program. Sponsors are responsible for assigning the appropriate number of  
15 CPE credits for participants, including reduced CPE credits for those participants who  
16 arrive late or leave early. Refer to §523.142 of this chapter (relating to Program Time  
17 Credit Measurement for Sponsors).

18 (i) Sponsors must comply with all CPE rules including §523.143 of this chapter.

19 (j) Sponsors awarding CPE credit for a board authorized ethics course defined in  
20 §523.131 of this chapter (relating to Board Approval of Ethics Course Content) must do  
21 so through a board authorized instructor as defined in §523.132 of this chapter (relating  
22 to Board Authorized Ethics Instructors).

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