

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 Meeting

Time: May 14, 2025 01:30 PM Central Time (US and Canada)

<https://www.zoomgov.com/j/1606247946?pwd=xxLzCcvbXxbrXyRuHEJeZjbUeEFfd.1>

Meeting ID: 160 624 7946

Passcode: 424139

One tap mobile

+16468287666,,1606247946# US (New York)

Dial by your location

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Meeting ID: 160 624 7946

Agenda Item V
Rules Committee Agenda
May 14, 2025
1:30 p.m.

- A. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 505 – The Board* 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 507 – Employees of the Board* of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.
- C. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 509 – Rulemaking Procedures* of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.
- D. 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*.
- E. Schedule next meeting.

Agenda Item V
Rules Committee Agenda
May 14, 2025
1:30 p.m.

- A. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 505 – The Board of the Board’s Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.

DISCUSSION: Staff is recommending that the committee review the *Chapter 505* rules and determine if there is a need to revise any rules, repeal any unnecessary rules or readopt the rules necessary to administer the Board’s regulatory program.

Staff is recommending that much of *Rule 505.1* be repealed. The Board seal is not required to be a rule and any revision to the seal should be an administrative function of the Board and not be required to go through a rulemaking process.

RECOMMENDATION: The staff recommends that the Rules Committee recommend that the Board authorize the executive director to publish the proposed revision in the *Texas Register* for public comment and readopt those rules that do not require revision. There is no proposal for repeal of a rule.

SUGGESTED MOTION: That the Rules Committee recommend to the Board that it authorize the executive director to publish the proposed revision to 505.1 in the *Texas Register* for public comment and readopt those rules requiring no revision.

CHAPTER 505 The Board
RULE §505.1 Board Seal and Headquarters

~~(a) The official seal of the board illustrated in paragraph (8) of this subsection shall consist of:~~

~~(1) a circle with a rope border;~~

~~(2) a five point star comprised of five diamond shapes, in the center, with the star placed so that one point is pointed directly at the top, with the remaining points spaced equidistant;~~

~~(3) the word "TEXAS" is spelled out placing one capital letter between each point of the star beginning on the left side of the star;~~

~~(4) the center star is itself bordered by a circle of dots;~~

~~(5) the words "TEXAS STATE" in capital letters appear at the top of the seal in the margin between the dot border and the rope border;~~

~~(6) the words "BOARD OF PUBLIC ACCOUNTANCY" in capital letters appear at the bottom of the seal in the margin between the dot border and the rope border;~~

~~(7) the background of the seal shall be black; and~~

~~(8) all features described in paragraphs (1) - (6) of this subsection shall be in gold.~~

[Attached Graphic](#)

~~(a) (b)~~ The board seal may be embossed on a solid gold background to place official board records and documents under seal. The board may cause the board seal to be reproduced in other color schemes for use in official board business or board authorized functions or publications. The board seal may not be reproduced or used for non-board business without the express written consent of the board's executive director.

~~(b) (c)~~ The headquarters and administrative offices of the board shall be at 505 E. Huntland Drive, Suite 380, Austin, Texas 78752.

CHAPTER 505 The Board
RULE §505.2 Duties of the Board

(a) The board is statutorily empowered to regulate the practice of accountancy in Texas.

(b) The board may adopt rules as necessary to govern its proceedings, perform its duties, regulate the practice of accountancy in Texas, and enforce applicable law.

(c) The board may act directly under its statute and rules or through the executive director or a committee of the board.

(d) Pursuant to the Act, the board is responsible for policy-making decisions and the executive director is responsible for the agency's management decisions and administrative responsibilities.

CHAPTER 505 The Board
RULE §505.3 Presiding Officer of the Board

(a) When present, the presiding officer shall conduct all board meetings, **and shall oversee the official business of the board.** The presiding officer shall appoint such committees as the board may authorize under §505.10 of this chapter (relating to Board Committees) and may delegate the signing of official documents. The presiding officer may sign board orders on behalf of the board after the board has approved adoption of the order. The presiding officer shall serve as the official spokesman of the board and shall have such other responsibilities as assigned and such other authority as conferred by the board.

(b) Official board business is defined as board meetings, committee meetings, conferences or meetings where board business may be discussed, informal enforcement committee meetings, settlement conferences, swearing-in ceremonies, board matters involving litigation, speaking engagements pertaining to the board, consultation with board staff and/or the public regarding board matters, and meetings where legislation or board matters may be discussed or heard.

1 CHAPTER 505 The Board
2 RULE §505.4 Assistant Presiding Officer of the Board
3

4 The assistant presiding officer, in the absence of the presiding officer, shall perform the
5 duties of the presiding officer as specified in §505.3 of this chapter (relating to Presiding
6 Officer of the Board), and shall perform such other duties as the board shall designate.

1 CHAPTER 505 The Board
2 RULE §505.5 Secretary of the Board
3

4 The secretary shall perform such duties as in the judgment of the board are necessary,
5 including attesting to the accuracy of the board meeting minutes following approval by
6 the board.

7

1 CHAPTER 505 The Board
2 RULE §505.6 Treasurer of the Board
3

4 The treasurer shall supervise the maintenance of appropriate financial records for the
5 board and the preparation of the annual reports to the governor and Legislative Budget
6 Board, and shall perform such other duties as in the judgment of the board are
7 necessary.

1 CHAPTER 505 The Board
2 RULE §505.7 Vacancies in the Board
3

4 If for any reason a vacancy occurs in the board, the presiding officer shall provide a
5 notice to the governor and ask for the appointment of a new member to fill the
6 unexpired term. If the vacancy occurs in any of the officers of the board, the board shall
7 elect from its own membership at the first regular or special meeting following the
8 vacancy a new officer to serve for the balance of the unexpired term.

CHAPTER 505 The Board
RULE §505.8 Board Meetings

(a) Board meetings shall be open to the public. The executive director is responsible for providing notice of board meetings pursuant to the Open Meetings Act.

(b) Board meetings shall take place at the headquarters of the board or, if the convenience of the public and the board will be better served, at such place as the board may designate.

(c) Special meetings may be held upon the call of the presiding officer, or upon call of a majority of the members of the board, after reasonable notice.

1 CHAPTER 505 The Board
2 RULE §505.9 Order of Business
3

4 (a) The executive director, in conjunction with the presiding officer, shall prepare a
5 written agenda for each board meeting and distribute a copy of the agenda to each
6 board member.

7 (b) Any board member may place an item on the board's agenda by written request to
8 the presiding officer at least 20 days before the next board meeting.

9 (c) Conduct of board meetings shall be guided by Robert's Rules of Order, except that
10 no board action shall be invalidated by reason of failure to comply with those rules.

11 (d) Except for board enforcement actions, disciplinary actions and investigations, any
12 person may request an appearance before the board for the purpose of making a
13 presentation on a matter under the board's jurisdiction. The presiding officer may deny a
14 request to appear based on time constraints or other reasons which, in the presiding
15 officer's opinion, warrant such denial. When practicable, a specific date and time to
16 appear shall be set by the presiding officer, and a time limit may also be imposed. The
17 person requesting the appearance should state in writing in reasonable detail the
18 request to be made of the board and the estimated time needed.

1 CHAPTER 505 The Board
2 RULE §505.10 Board Committees
3

4 (a) Committee appointments. Appointments to standing committees and ad hoc
5 committees shall be considered annually by the board's presiding officer to assist in
6 carrying out the functions of the board under the provisions of the Act. Committee
7 appointments shall be made by the presiding officer for a term of two years but may be
8 terminated at any point by the presiding officer. Committee members may be re-
9 appointed at the discretion of the presiding officer. The board's presiding officer shall be
10 an ex officio member of each standing committee and ad hoc committee and chair of
11 the executive committee.

12 (b) Committee actions. The actions of the committees are recommendations only and
13 are not binding until ratification by the board at a regularly scheduled meeting.

14 (c) Committee meetings. Committee meetings shall be held at the call of the committee
15 chair, and a report to the board at its next regularly scheduled meeting shall be made by
16 such chair or, in the absence of the chair, by another board member serving on the
17 committee.

18 (d) Vacancies. If for any reason a vacancy occurs on a committee, the board's presiding
19 officer may appoint a replacement in accordance with subsection (a) of this section.

20 (e) Standing committee structure and charge to committees. The standing committees
21 shall consist of policy-making committees and working committees comprised of the
22 following individuals and shall be charged with the following responsibilities.

23 (1) The executive committee shall be a policy-making committee comprised of the
24 board's presiding officer, assistant presiding officer, secretary, treasurer, immediate past
25 presiding officer of the board if still serving on the board, and at least one other officer
26 elected by the board. The executive committee shall also be the board's audit
27 committee. The executive committee may act on behalf of the full board in matters of
28 urgency, or when a meeting of the full board is not feasible; the executive committee's
29 actions are subject to full board ratification at its next regularly scheduled meeting. The
30 functions of the executive committee shall be to advise, consult with, and make
31 recommendations to the board concerning matters requested by the board's presiding
32 officer, including:

1 (A) the board's budget and finances;
2 (B) litigation;
3 (C) emergency suspensions pursuant to §519.12 of this title (relating to Emergency
4 Suspension);
5 (D) emergency rulemaking pursuant to §2001.034 of the Administrative Procedure Act;
6 (E) amendments to the Act;
7 (F) responses/positions relating to papers, reports, and other submissions from national
8 or international associations or boards;
9 (G) legislative oversight, including, but not limited to, budget, performance measures,
10 proposed changes in legislation affecting the board, and computer utilization; and
11 (H) special issues.

12 (2) The CPE committee shall be a working committee comprised of at least two board
13 members, one of whom shall serve as chair, assisted by at least two non-board
14 members who shall serve in an advisory capacity. The committee shall make
15 recommendations to the board regarding:

16 (A) the mandatory CPE program in accordance with Chapter 523 of this title (relating to
17 Continuing Professional Education);

18 (B) investigations of sponsor compliance with the terms of the sponsor agreements,
19 including the related recordkeeping requirements;

20 (C) the results of monitoring CPE courses for the purpose of evaluating the facilities,
21 course content as presented, and the adequacy of the course presenter(s);

22 (D) any significant deficiencies observed in carrying out subparagraphs (B) and (C) of
23 this paragraph; and

24 (E) make recommendations to the board's policy-making committees (the executive
25 committee and the rules committee) concerning proposed changes in board rules,
26 opinions, and policies related to the mandatory CPE program as it relates to licensees
27 and to relations with sponsors of CPE.

28 (3) The qualifications committee shall be a working committee comprised of at least two
29 board members, one of whom shall serve as chair, assisted by at least two non-board
30 members who shall serve in an advisory capacity. The committee shall make
31 recommendations to the board regarding:

(A) the educational qualifications of an applicant for the UCPAE in accordance with Chapter 511, Subchapter C of this title (relating to Educational Requirements) and courses that may be used to meet the education requirements to take the examination;

(B) the administration, security, discipline, and other aspects of the conduct of the UCPAE in Texas;

(C) the work experience qualifications of an applicant for the CPA certificate in accordance with §§511.121 - 511.124 of this title (relating to Experience Requirements); and

(D) recommendations to the board's policy-making committees (the executive committee and the rules committee) concerning proposed changes in board rules, opinions, and policies relating to the qualifications process.

(4) The licensing committee shall be a working committee comprised of at least two board members, one of whom shall serve as chair, assisted by at least two non-board members who shall serve in an advisory capacity. The committee shall make recommendations to the board regarding:

(A) applications for certification, registration, and licensure;

(B) where applicable, the equivalency examination measuring the professional competency of an applicant for a CPA certificate by reciprocity; and

(C) recommendations to the board's policy-making committees (the executive committee and the rules committee) concerning proposed changes in board rules, opinions, and policies as they relate to the licensing process.

(5) The behavioral enforcement committee shall be a working committee comprised of at least two board members, one of whom shall serve as chair, assisted by at least two non-board members who shall serve in an advisory capacity. The committee shall:

(A) review requests or applications for reinstatement of any certificate, registration, or license which the committee recommended and the board revoked, suspended, or refused to renew;

(B) investigate complaints involving alleged violations of the Act and the board's rules, primarily concerning behavioral issues, and based upon its findings, make recommendations to the board or authorize the staff to offer an agreed consent order, or in the alternative, to litigate the findings of Act or rule violations;

1
2 (C) follow up on board orders to insure that licensees and certificate holders and others
3 adhere to sanctions prescribed by or agreements with the board; and
4 (D) make recommendations to the board's policy-making committees (the executive
5 committee and the rules committee) concerning proposed changes in board rules,
6 opinions, and policies related to the behavioral restraints of the rules and the Act.
7 (6) The technical standards review committee shall be a working committee comprised
8 of at least two board members, one of whom shall serve as chair, assisted by at least
9 three non-board members who shall serve in an advisory capacity. The committee shall:
10 (A) review requests or applications for reinstatement of any certificate, registration, or
11 license which the committee recommended and the board revoked, suspended, or
12 refused to renew;
13 (B) investigate complaints from any source involving alleged violations of the Act and
14 the board's rules, primarily concerning technical issues and based upon its findings,
15 make recommendations to the board or authorize the staff to offer an agreed consent
16 order, or in the alternative, to litigate the findings of Act or rule violations;
17 (C) follow up on board orders to insure that licensees or certificate holders and others
18 adhere to sanctions prescribed by or agreements with the board; and
19 (D) make recommendations to the board's policy-making committees (the executive
20 committee and the rules committee) concerning proposed changes in board rules,
21 opinions, and policies related to enforcement of technical standards.
22 (7) The peer review committee shall be a working committee comprised of at least two
23 board members, one of whom shall serve as chair, assisted by at least two non-board
24 members who shall serve in an advisory capacity. The committee shall:
25 (A) conduct a periodic review of firms in accordance with Chapter 527 of this title
26 (relating to Peer Review);
27 (B) refer to the technical standards review committee firms with deficient reviews for
28 which educational rehabilitation has not been effective; and
29 (C) make recommendations to the board's policy-making committees (the executive
30 committee and the rules committee) concerning proposed changes in board rules,
31 opinions, and policies relating to the peer review program.

1 (8) The board rules committee shall be a policy-making committee comprised of at least
2 three board members, one of whom shall serve as chair. The committee shall make
3 recommendations to the board concerning the board's rules, opinions, and policies. All
4 working committees shall refer proposed changes to the board's rules, opinions, and
5 policies to the rules committee for consideration for recommendation to the board.

6 (9) The peer assistance oversight committee shall be a working committee comprised of
7 at least two board members, one of whom shall serve as chair, assisted by at least two
8 non-board members who shall serve in an advisory capacity. The committee shall
9 oversee the peer assistance program administered by the TXCPA as required under the
10 Texas Health and Safety Code, §467.001(1)(B), and insure that the minimum criteria as
11 set out by the Department of State Health Services are met. It shall make
12 recommendations to the board and the TXCPA regarding modifications to the program
13 and, if warranted, refer cases to other board committees for consideration of disciplinary
14 or remedial action by the board. The committee shall report to the board on a semi-
15 annual basis, by case number, on the status of the program.

16 (10) The constructive enforcement committee shall be a working committee comprised
17 of at least two board members, one of whom shall serve as chair, assisted by non-board
18 CPA members. At least one Committee member shall be a public member of the board.
19 The committee shall approve the constructive enforcement program, coordinate its
20 activities with board committees and staff, and supervise the training of constructive
21 enforcement advisory committee members. A staff attorney of the board shall supervise
22 the day to day administration of the constructive enforcement program and activities of
23 the committee's non-board members on behalf of the committee chairman. The
24 committee shall:

25 (A) investigate matters forwarded to the committee from any other board committee or
26 board staff in accordance with board instruction and policy;

27 (B) prepare, as appropriate, investigative reports regarding each referred matter;

28 (C) inform referring board committees or board staff of the results of its investigations;

29 (D) inform the appropriate committee when possible violations of board rules and the
30 Act are observed; and

1 (E) make recommendations to the board's policy-making committees (the executive
2 committee and the rules committee) concerning proposed changes in board rules,
3 opinions, and policies relating to the constructive enforcement program.

4 (f) Ad hoc advisory committees. Ad hoc advisory committees may be established by the
5 board's presiding officer and members and advisory members appointed as appropriate.

6 (g) Policy guidelines. All advisory committee members performing any duties utilizing
7 board facilities and/or who have access to board records, shall conform and adhere to
8 the standards, board rules, and personnel policies of the board as described in its
9 personnel manual and to the laws of the State of Texas governing state employees.

10 (h) Conflicts of interest. To avoid a conflict of interest or the appearance of a conflict of
11 interest, no committee member may provide a report or expert testimony for or
12 otherwise advocate on behalf of a complainant or a respondent in a disciplinary matter
13 pending before the board while serving on a standing committee of the board.

1 CHAPTER 505 The Board
2 RULE §505.12 Enforcement Committees
3

4 (a) The behavioral enforcement committee, the technical standards review committee
5 and the constructive enforcement committee shall be the board's enforcement
6 committees.

7 (b) A member of the board serving on an enforcement committee shall recuse himself
8 and take no part in the board's vote on the final disposition of any case investigated by
9 that enforcement committee.

CHAPTER 505 The Board
RULE §505.13 Board Committee Member Recusals

A member of a board committee may not participate in the discussion and may not vote on an issue before the committee in which the member has a substantial personal or financial interest or such participation would create or appear to create a bias. Each committee member who is ineligible to participate in the disposition of an issue by reason of this section shall provide a concise, factual statement of the reason why the member is not participating prior to the commencement of discussion of that issue by the committee.

Agenda Item V
Rules Committee Agenda
May 14, 2025
1:30 p.m.

- B. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 507 – Employees of the Board* of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.

DISCUSSION: The staff is recommending a revision to *Rule 507.2* to update the prohibition on nepotism to include the third degree of consanguinity as provided for in Section 573.041 of the Government Code. *Rule 507.3* is proposed to be revised to recognize that the Board may hire attorneys as consultants to provide services for the Board.

RECOMMENDATION: The staff recommends that the Rules Committee recommend that the Board authorize the executive director to publish the proposed revisions in the *Texas Register* for public comment and readopt those rules that do not require revision. There is no proposal for repeal of a rule.

SUGGESTED MOTION: That the Rules Committee recommend to the Board that it authorize the executive director to publish the proposed revisions to the rules as proposed in the *Texas Register* for public comment and readopt those rules requiring no revision.

CHAPTER 507 EMPLOYEES OF THE BOARD
RULE §507.1 Executive Director

The board shall employ an executive director who will serve at the will of the board. The executive director shall be the administrator of the board office and shall employ the staff necessary to conduct the activities of the board. The executive director shall also be responsible for the operation of the agency in accordance with board policy, state and federal law, and duties established by the board. The executive director is empowered to make preliminary interpretations of the Act or of this title, except that any interpretation by the executive director shall not be binding upon the board. The executive director is the custodian of the board's records.

1 CHAPTER 507 EMPLOYEES OF THE BOARD
2 RULE §507.2 Staff
3

4 (a) The executive director shall employ such staff as is authorized and necessary for the
5 conduct of the board's affairs. Applications for employment by the board shall notify
6 prospective employees that no employee of the board may be employed in an
7 executive, administrative or professional capacity, as that phrase is used for purposes
8 of establishing an exemption to the overtime provisions of the Fair Labor Standards Act,
9 and its subsequent amendments, if:

10 (1) the prospective employee is acting in the capacity of an officer, executive board or
11 executive committee member, employee, or paid consultant of a Texas trade
12 association in the field of public accountancy; or

13 (2) the prospective employee's spouse is acting in the capacity of an officer, executive
14 board or executive committee member, manager or paid consultant of a Texas trade
15 association in the field of public accountancy; or

16 (3) be related within the second degree of affinity or within the third ~~second~~ degree of
17 consanguinity to a person who is an officer, employee, or paid consultant of a trade
18 association in the field of public accountancy.

19 (b) Each employee shall be hired without regard to race, color, handicap, sex, religion,
20 age, or national origin. The executive director shall report at least annually to the board
21 on compliance with this policy.

CHAPTER 507 EMPLOYEES OF THE BOARD
RULE §507.3 Independent Contractors

The board may, pursuant to §901.151(c) of the Act (relating to General Powers and Duties of Board) and §472.107 of the Texas Government Code, employ independent contractors, including **attorneys**, investigators and consultants, to perform services prescribed by the board. The basis for compensation of independent contractors shall be stated in the contract of employment. The board will re-procure professional services contracts no later than every four years and provide documented justification for entering into a multiyear contract or to extend a contract beyond one year for professional services. **The board may contract with outside legal counsel for legal services with approval from the Office of Attorney General for a specific period or assignment.**

1 CHAPTER 507 EMPLOYEES OF THE BOARD
2 RULE §507.4 Confidentiality
3

4 (a) Members of the board, advisory committee members, the executive director,
5 members of board staff, independent contractors and consultants retained by the board
6 shall not disclose any confidential information which comes to their attention, except as
7 may be required by law.

8 (b) Regardless of whether the board takes disciplinary action or not, all complaint
9 investigations, including investigation files, investigation reports, and other investigative
10 information in the possession of, received or gathered by the board is confidential, prior
11 to public hearing or board action, and any employee, agent, or member of the board
12 may not disclose the information contained in these files except to another
13 governmental, regulatory or law enforcement agency engaged in an enforcement action
14 and as provided for in §901.160 of the Act (relating to Availability and Confidentiality of
15 Certain Board Files) or upon receiving written authorization from the license applicant or
16 current or former license holder who is the subject of the investigation.

1 CHAPTER 507 EMPLOYEES OF THE BOARD
2 RULE §507.5 Duties of the Executive Director
3

4 (a) The board shall determine the qualifications for and employ an executive director
5 who shall be the chief administrative officer of the agency.

6 (b) The duties of the executive director shall be to administer and enforce the applicable
7 law, to assist in conducting meetings of the board, and to carry out other responsibilities
8 as assigned by the board.

9 (c) The executive director shall have the authority and responsibility for the operations
10 and administration of the agency and such additional powers and duties as prescribed
11 by the board.

12 (d) As chief administrative officer of the agency, the executive director shall be
13 responsible for the management of all aspects of administration of the agency to include
14 personnel, financial and other resources in support of the applicable law, rules, policies,
15 mission and strategic plan of the agency and may act on behalf of the board as needed
16 to manage contested and litigated cases.

17 (e) The duties imposed on the executive director under this section may be discharged
18 through board staff.

1 CHAPTER 507

EMPLOYEES OF THE BOARD

2 RULE §507.6

Employee Training and Education Assistance Program

3
4 (a) Pursuant to the State Employees Training Act, Chapter 656, Subchapter C of the
5 Texas Government Code, it is the policy and practice of the board to encourage an
6 employee's professional development through training and education programs.

7 (b) The board may provide assistance for education and training for an employee if the
8 executive director determines that the education or training will enhance the employee's
9 ability to perform current or prospective job duties and will benefit both the board and
10 the employee.

11 (c) Financial assistance may be awarded for some or all of the following expenses:

12 (1) tuition, including correspondence courses that fulfill degree, professional or General
13 Equivalence Diploma (GED) program plan requirements;

14 (2) degree plan pertinent College Level Equivalency Program examinations if the
15 employee receives college credit or waiver of course requirements;

16 (3) degree plan pertinent Life Experience Assessments if the employee receives college
17 credit; and

18 (4) required fees, including lab fees, and books.

19 (d) Financial assistance granted under this program shall be established by the board.

1 CHAPTER 507 EMPLOYEES OF THE BOARD
2 RULE §507.7 Eligibility
3

4 (a) To be eligible for consideration for training and education assistance, an employee
5 must:

6 (1) be in good standing with the board;

7 (2) meet and continue to meet all performance expectations;

8 (3) have at least 12 months of service with the board; and

9 (4) seek enrollment and participation in a field of study that relates to assigned or
10 prospective job duties, a professional development requirement, a GED program or a
11 higher education degree plan.

12 (b) To maintain eligibility in a degree program an employee must be enrolled in an
13 institution of higher education in a course of instruction leading toward a degree and
14 maintain a passing grade point average.

15 (c) To maintain eligibility in a GED program an employee must be enrolled each
16 semester in a GED program and maintain a passing grade point average.

17 (d) The employee must attend and satisfactorily complete the education and training,
18 including passing tests or other types of performance measures where required.

19 (e) Each semester an employee must provide grade reports to verify that full credit was
20 received for courses taken.

21 (f) An employee must provide fee receipts for courses to be taken and must promptly
22 report outside funds such as grants, scholarships or other financial aid received. The
23 executive director may adjust the assistance provided to the employee at any time for
24 any reason.

CHAPTER 507 EMPLOYEES OF THE BOARD
RULE §507.8 Procedures

(a) The executive director may require a written agreement between the board and the employee describing the terms and conditions of the education or training assistance to be provided by the board. The board may impose such terms and conditions as may be reasonable and appropriate, including but not limited to, specifying the circumstances under which the assistance may be terminated and the employee may be required to repay the amount of assistance.

(b) The executive director will reconsider each employee's participation in the Education Assistance Program each semester.

(c) Assistance may be terminated and the employee may be required to repay all funds received from the institution if the employee:

(1) withdraws from the institution or fails to regularly attend the classes;

(2) is removed or prohibited from attending the institution;

(3) fails to comply with one or more terms of the assistance agreement, including but not limited to, additional terms concerning termination and repayment of assistance; or

(4) is terminated by the board during the duration of the assistance agreement.

(d) Any employee who has received assistance under this program shall repay the entire amount of the assistance received if the employee voluntarily leaves the board's employ within six months of concluding an educational program for which assistance was granted.

1 CHAPTER 507 EMPLOYEES OF THE BOARD
2 RULE §507.9 Sick Leave Pool and Family Leave Pool
3

4 (a) A sick leave pool is established to help alleviate hardship caused to an employee
5 and employee's immediate family if a catastrophic illness or injury forces the employee
6 to exhaust all accrued paid leave time earned by that employee and to lose
7 compensation from the state.

8 (b) A family leave pool is established to help alleviate hardship caused to an employee
9 and employee's immediate family if they are caring for a seriously ill family member or
10 the employee, including pandemic-related illnesses or complications caused by a
11 pandemic or are bonding with and caring for children during a child's first year following
12 birth, adoption, or foster placement which forces the employee to exhaust all accrued
13 paid leave time earned by that employee and to lose compensation from the state.

14 (c) The executive director is designated as the pool administrator to both pools.

15 (d) The executive director will establish operating procedures and forms for the
16 administration of this section for inclusion in the agency's personnel policies and
17 procedures manual.

18 (e) Operation of both pools shall be consistent with Tex. Gov't Code, Chapter 661, as
19 amended.

Agenda Item V
Rules Committee Agenda
May 14, 2025
1:30 p.m.

- C. Discussion, consideration, and possible action concerning the Rule Review of *Chapter 509 – Rulemaking Procedures* of the Board's *Rules* pursuant to *Section 2001.039* of the *Texas Government Code*.

DISCUSSION: The staff recommends revising *Rule 509.2* to recognize that the Board may adopt a rule without prior notice in an emergency and the rule will be effective for no more than 120 days and may be extended for up to 60 more days.

RECOMMENDATION: The staff recommends that the Rules Committee recommend that the Board authorize the executive director to publish the proposed revisions in the *Texas Register* for public comment and readopt those rules that do not require revision. There is no proposal for repeal of a rule.

SUGGESTED MOTION: That the Rules recommend to the Board that it authorize the executive director to publish the proposed revisions to the rules as proposed in the *Texas Register* for public comment and readopt those rules requiring no revision.

1 CHAPTER 509 RULEMAKING PROCEDURES
2 RULE §509.2 Emergency Rulemaking
3

4 If a state or federal law so requires the board to do so or if there is an imminent peril to
5 the public health, safety or welfare, the board may adopt, revise, or repeal board rules
6 pursuant to §2001.034 of the Texas Government Code **without prior notice. The**
7 **emergency rule may be effective for no longer than 120 days and may be renewed**
8 **once for up to 60 days.**

1 CHAPTER 509 RULEMAKING PROCEDURES
2 RULE §509.3 Invalid Portions
3

4 If any subcategory, section, subsection, sentence, clause, or phrase of these sections is
5 for any reason held invalid, such decision shall not affect the validity of the remaining
6 portions of these sections. The board hereby declares that it would have adopted these
7 subcategories, sections, subsections, sentences, clauses, or phrases thereof
8 irrespective of the fact that any one or more of the subcategories, sections, subsections,
9 sentences, clauses, or phrases be declared invalid.

1 CHAPTER 509 RULEMAKING PROCEDURES
2 RULE §509.4 Effective Date
3

4 The board rules shall govern all matters initiated after they take effect; and shall also
5 govern all matters pending on the effective date, except to the extent that the board
6 shall determine that application to a particular matter would not be feasible or would
7 work a substantial injustice, in which event the procedure in effect prior to the effective
8 date of these sections applies.

1 CHAPTER 509 RULEMAKING PROCEDURES
2 RULE §509.5 Rules, Identification and Format
3

4 The board reserves the right to revise the format of these sections whether to comply
5 with statutory requirements or to facilitate the distribution of easily readable rules.

1 CHAPTER 509 RULEMAKING PROCEDURES
2 RULE §509.6 Rulemaking Procedures
3

4 (a) Notice of a proposed new rule or amendment of any existing rule shall be made in
5 accordance with the provisions of §2001.023 and §2001.024 of the Administrative
6 Procedure Act.

7 (b) A request for a public hearing to provide comments on a proposed new rule or
8 amendment to an existing rule must be received in the offices of the board no later than
9 5:00 p.m. of the thirtieth calendar day prior to the board meeting scheduled to consider
10 the adoption of the proposed rule unless the board announces a different filing date.

11 (c) A person wishing to testify at a public hearing to provide comments on a proposed
12 new rule or amendment to an existing rule must file a written copy of the proposed
13 testimony in the offices of the board by no later than 5:00 p.m. of the fifth calendar day
14 prior to the public hearing unless the board announces a different filing date.

15 (d) The board's policy is to promote a public rulemaking process but the board may
16 employ negotiated rulemaking pursuant to the Negotiated Rulemaking Act when
17 appropriate.

18 (e) The executive director shall designate a board employee as the board's negotiated
19 rulemaking director to implement the provisions of the Negotiated Rulemaking Act,
20 Chapter 2008 of the Texas Government Code, and perform the following functions:

21 (1) maintain necessary agency records of negotiated rulemaking procedures while
22 maintaining the confidentiality of participants;

23 (2) establish a method of choosing conveners and facilitators as defined by the
24 Negotiated Rulemaking Act, Chapter 2008 of the Texas Government Code;

25 (3) establish a method of convening negotiated rules committees;

26 (4) provide information about the negotiated rulemaking process to agency employees,
27 potential users, and users of the negotiated rulemaking program;

28 (5) arrange training or education necessary to implement the negotiated rulemaking
29 process; and

30 (6) establish a system to evaluate the negotiated rulemaking program, conveners,
31 facilitators, and committees.

1 (f) The board or the rules committee may request the negotiated rulemaking director to
2 institute negotiated rulemaking proceedings on a specified subject. Upon receipt of such
3 a request, the negotiated rulemaking director shall institute the negotiated rulemaking
4 process pursuant to Chapter 2008 of the Texas Government Code.

Agenda Item V
Rules Committee Agenda
May 14, 2025
1:30 p.m.

- D. 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 staff is proposing to eliminate the requirement that the Peer Review Oversight Board attend all Peer Review Report Committee meetings, clarify that there is only one enrollment reporting deadline for new as well as established firms, recognizing that the firm is ultimately responsible for reporting to the Board the documents provided to the Facilitated State Board Access (FSBA), require any additional documents from or to the firm's administering entity related to the firm's peer review, require a copy of any report resulting from any inspection by the PCAOB firm inspection, require a firm that does not grant access to the board in FSBA to complete the board's Peer Review Compliance Reporting and that failure to satisfy peer review requirements could subject the firm to disciplinary action.

RECOMMENDATION: The staff recommends that the Rules Committee recommend that the Board authorize the executive director to publish the proposed revisions in the *Texas Register* for public comment and readopt those rules that do not require revision. There is no proposal for repeal of a rule.

SUGGESTED MOTION: That the Rules Committee recommend to the Board that it authorize the executive director to publish the proposed revisions to the rules as proposed in the *Texas Register* for public comment and readopt those rules requiring no revision.

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 attest services do ~~reporting does~~ not comply with professional
9 or regulatory 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.

CHAPTER 527 PEER REVIEW
RULE §527.2 Definitions

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

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

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

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

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

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

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

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

(6) "Rating" of a peer review refers to the type of report issued. The three types of reports are pass, pass with deficiencies, or fail. The peer review rating is clearly

1 indicated in the peer review report. A peer review report with a rating of pass with
2 deficiencies or fail is considered a deficient review.

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

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

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

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

29 (11) "Facilitated State Board Access (FSBA)" is a secure website accessible only to the
30 state board that provides the most recently accepted peer review report, the firm's letter

- 1 of response (LOR), the corrective action letter (CAL), and the final letter of acceptance
- 2 (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.

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

9 (c) For firms required to be registered with and subject to inspection by the PCAOB, the
10 board recognizes and adopts the PCAOB's inspection process and standards for
11 reviewing practices subject to its authority, which are not included in the scope of this
12 peer review program.

CHAPTER 527 PEER REVIEW
RULE §527.4 Enrollment and Participation

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

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

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

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

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

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

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

13 (h) An out-of-state firm practicing in this state pursuant to a practice privilege provided
14 for in §901.461 of the Act (relating to Practice by Certain Out-of-State Firms) and
15 §517.1 and §517.2 of this title (relating to Practice by Certain Out of State Firms and
16 Practice by Certain Out of State Individuals) must comply with the peer review program
17 of the state in which the firm is licensed.

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

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

24 **(k) Failure to satisfy peer review requirements may subject the firm to disciplinary**
25 **action as well as administrative penalties and costs under §519.9 of this title**
26 **(relating to Administrative Penalty Guidelines).**

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

CHAPTER 527 PEER REVIEW
RULE §527.5 Deficient Reviews

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

(b) A firm, including a successor firm, which receives two consecutive reviews on a system or engagement review with ratings of either pass with deficiencies or fail in any order, or two pass with deficiencies shall be required to have an accelerated review. If that accelerated review results in a rating of pass with deficiencies or fail:

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

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

(B) the engagement is completed within 60 days of the acceptance of the peer review report and LOR by the sponsoring organization; and

(2) the firm shall not perform any other attest services until given permission by the board and if approved by the Board may do so only under the supervision of a third-party reviewer approved by the chair of the Technical Standards Review Committee or Peer Review Committee; and

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

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

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

- 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 supervision
- 4 of a third-party reviewer approved by the chair of the Technical Standards Review
- 5 Committee or Peer Review Committee; and
- 6 (4) the firm may only perform an attest service not under the supervision of a third-party
- 7 reviewer following the recommendation of the Technical Standards Review Committee
- 8 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.

CHAPTER 527 PEER REVIEW
RULE §527.6 Reporting to the Board

(a) A firm must submit to the board:

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

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

(3) any additional documents from or to the firm's administering entity related to the firm's peer review, including a letter of enrollment or reenrollment, a representation made by the firm to the administering entity representing that it has not performed attest engagements, identification of due dates for peer reviews and corrective action(s), a corrective action extension letter, the date the peer review was scheduled, and the estimated dates of the peer review commencement and presentation to a report acceptance body; or a copy of any final report resulting from any inspection by the PCAOB firm inspection program together with documentation of any significant deficiencies and findings and the firm's response.

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

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

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

(1) Peer review documents will be made available by the **reviewed firm granting access to the board in FSBA. A firm that does not grant access to the board in FSBA must complete the board's Peer Review Compliance Reporting form within 30 days of receiving any document under subsection (a) of this section and submit it to the board along with the required documents.** ~~TXCPA for firms enrolled in the AICPA and TXCPA Peer Review Programs and administered by the TXCPA.~~

1 Peer review documents will be made available by the TXCPA by posting such
2 documents within 30 days of issuing its notice of acceptance to such firms on the FSBA
3 web site. The reviewed firm must, within 10 days of receipt of the notice of completion
4 from the TXCPA, complete the board's Peer Review Compliance Reporting form and
5 submit it to the board along with the required documents.

6 ~~(2) Firms otherwise enrolled in the AICPA peer review program (including those whose~~
7 ~~peer reviews are administered by the NPRC, and state CPA societies fully involved in~~
8 ~~the administration of the AICPA Peer Review Program) must, within 10 days of receipt~~
9 ~~of the notice of completion from the sponsoring organization, complete the board's Peer~~
10 ~~Review Compliance Reporting form and submit it to the board along with the required~~
11 ~~documents. However, this requirement may be met by allowing the firm's peer review~~
12 ~~documents to be posted on the FSBA web site, with access granted to the board within~~
13 ~~30 days of issuing its notice of acceptance to such firms on the FSBA web site.~~

14 (2) ~~(3)~~ Firms subject to the PCAOB permanent firm inspection program must, within 10
15 days of receipt of the notice of completion from the PCAOB, complete the board's Peer
16 Review Compliance Reporting form and submit it to the board along with the required
17 documents.

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

1 CHAPTER 527 PEER REVIEW
2 RULE §527.7 Peer Review Oversight Board
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 result
11 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 TXCPA'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,

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

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

(A) **The Peer Review Committee members will determine which and how many Report Acceptance Bodies meetings and PRRC meetings the PROB members will attend each year in order to assure that the peer review program is meeting its objectives.** ~~At least one member of the PROB shall attend all meetings of each~~

~~sponsoring organization's PRRC.~~ Certain PRRC meetings may be conducted via telephone or video conference. In those instances, the PROB may join the conference **via telephone or video conference call.**

(B) During such visits, the PROB shall:

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

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

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

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

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

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

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

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

(B) reviewers are provided with appropriate materials;

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

CHAPTER 527 PEER REVIEW
RULE §527.8 Retention of Documents

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

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

CHAPTER 527 PEER REVIEW
RULE §527.9 Procedures for a Sponsoring Organization

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

CHAPTER 527 PEER REVIEW
RULE §527.10 Peer Review Report Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHAPTER 527 PEER REVIEW
RULE §527.11 Responsibilities of Peer Review Report Committee

The PRRC shall:

- (1) establish and administer the sponsoring organization's peer review program in accordance with the AICPA Standards;
- (2) prescribe actions designed to assure correction of the deficiencies in the reviewed firm's system of quality control policies and procedures;
- (3) monitor the prescribed remedial and corrective actions to determine compliance by the reviewed firm;
- (4) resolve instances in which there is a lack of cooperation and agreement between the committee and review teams or reviewed firms in accordance with the sponsoring organization's adjudication process;
- (5) act upon requests from firms for changes in the timetable of their reviews;
- (6) appoint members to subcommittees and task forces as necessary to carry out its functions;
- (7) establish and perform procedures providing reasonable assurance that reviews are performed and reported on in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews;
- (8) establish a report acceptance process, which facilitates the exchange of viewpoints among committee members;
- (9) communicate to the governing body of the sponsoring organization on a recurring basis:
 - (A) problems experienced by the enrolled firms in their systems of quality control as noted in the peer reviews conducted by the sponsoring organization;
 - (B) problems experienced in the implementation of the peer review program; and
 - (C) a summary of the historical results of the peer review program.

CHAPTER 527 PEER REVIEW
RULE §527.12 Engagement Reviews and System Reviews

(a) In order to balance the public's risk with the public's protection, the board is requiring peer review of firms providing financial reporting services. In implementing the peer review program, the board will consider the level of risk to the public of various attest services and require different levels of peer review based on those risks. Those firms that provide limited financial statement services can elect to perform non-attest preparation engagements under SSARS which do not require peer review.

(b) A firm whose only level of financial reporting is preparation engagements under SSARS must request on its annual license renewal an exemption from peer review.

(c) A firm that performs the following is subject to Engagement Peer Review.

(1) Compilations with disclosures or omitting substantially all disclosures and/or reviews of financial statements performed in accordance with SSARS. If the firm performs both an attest service and a preparation engagement(s), then the preparation engagement(s) is also subject to review and could be selected for peer review.

(2) Reviews and/or agreed-upon procedures engagements performed in accordance with SSAEs, or alternate wording engagements performed under the SSAEs, other than examinations.

(d) A firm that performs the following is subject to a System Peer Review.

(1) Engagements performed in accordance with SAS;

(2) Engagements performed in accordance with Government Auditing Standards (GAS);

(3) Examination engagements performed in accordance with SSAEs;

(4) Audits of non-SEC issuers performed in accordance with PCAOB standards; or

(5) Attestation of non-SEC issuers performed in accordance with PCAOB standards.

Agenda Item V
Rules Committee Agenda
May 14, 2025
1:30 p.m.

E. Schedule next meeting.