

<h1 style="margin: 0;">MINUTES</h1> <h2 style="margin: 0;">Texas State Board of Public Accountancy</h2> <h3 style="margin: 0;">March 26, 2015</h3>
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The Texas State Board of Public Accountancy met from 10:00 a.m. until 11:15 a.m. on March 26, 2015, at 333 Guadalupe, Tower 3, Suite 900, Austin, Texas 78701-3900. A notice of this meeting containing all items on the agenda was filed with the Office of the Secretary of State at 1:41 p.m. on March 18, 2015. (TRD #2015-001851)
(ATTACHMENT 1)

Board Members Present

J. Coalter Baker, CPA
Assistant Presiding Officer
 John R. Broaddus, CPA
 Jonathan B. Cluck, Esq.
 Everett R. Ferguson, CPA
Treasurer
 James C. Flagg, PhD, CPA
 Susan Fletcher
 Donna J. Hugly, CPA
 Jon R. Keeney,
Member-at-Large
 William Lawrence
 Robert M. McAdams, CPA
 Steve D. Peña, CPA
 Thomas G. Prothro, CPA
Presiding Officer

Board Members Absent

Rocky L. Duckworth, CPA
Member-at-Large
 excused
 Maribess L. Miller, CPA
Secretary
 excused
 Phillip W. Worley
 excused

Others Present

Frank McElroy, Esq.
 Sean McVey
 Bob Owen, CPA
 Evan Prothro
 Mark Vane, Esq.

Staff Present

Paulette Beiter, Esq.
 Roel Cantu
 Ismael Castillo
 Karen Davis
 Tiffney Duncan
 Rhonda Fellner
 Gilbert Gutierrez
 Alan Hermanson, CPA
 J. Randel Hill, Esq.
 Jean Ickes
 Joseph Jaffe
 Marissa Mahoney
 Natalie Miller
 Virginia Moher, Esq., CPA
 Julie Prien
 Marisa Rios
 Anthony Sanchez
 April Serrano
 William Treacy

- I. Mr. Prothro, Presiding Officer, called the meeting to order at 10:00 a.m. Mr. Treacy called roll and declared a quorum.

 Mr. Cluck moved to excuse the absence of Mr. Duckworth, Ms. Miller, and Mr. Worley from the March Board meeting and to retroactively excuse Mr. Lawrence's absence from the January Board meeting. Ms. Fletcher seconded the motion and it passed unanimously.
- II. Mr. Peña moved to approve the January 28, 2015 Board meeting minutes as presented. Ms. Hugly seconded the motion and it passed unanimously.
- III. Mr. Prothro, Executive Committee Chair, reported on the March 25, 2015 committee meeting.

Members Present

J. Coalter Baker, CPA
 Everett R. Ferguson, CPA
 Jon R. Keeney
 Thomas G. Prothro, CPA

Members Absent

Rocky L. Duckworth, CPA
 Maribess L. Miller, CPA

Others Present

William Lawrence

Staff Present

Karen Davis
 Alan Hermanson, CPA
 J. Randel Hill, Esq.
 William Treacy

- A. Mr. Ferguson moved to approve the Board's financial statements as presented. Mr. Keeney seconded the motion and it passed unanimously.

- B. Mr. Prothro reported that the committee asked that Monday Rufus request information from the Department of Information Resources (DIR) as to the effectiveness of their penetration testing and if the DIR penetration testing procedures have been reviewed or audited by a third party. Additionally, it was requested that Monday Rufus provide a cost estimate of the third party testing that he is recommending to the Board. Mr. Treacy discussed the recent report by the State Office of Risk Management (SORM) concerning the on-site consultation of the Board conducted on February 10, 2015. Mr. Ferguson commented on the SORM recommendation to the agency to “conduct a risk assessment of the exposures and development protocols to prevent and finance the identified losses.” He also suggested that the Board’s fund balance reserve should be evaluated as to whether adequate funds are available to replace agency building contents.
- C. Mr. Treacy reported on HB 2024, sponsored by Representative Larry Gonzales.
- D. The following was presented:
 - 1. Mr. Prothro reported on the following NASBA dates of interest:
 - a. 33rd Annual Conference for Executive Directors and Board Staff March 24-26, 2015
 - b. 20th Annual Conference for Board of Accountancy Legal Counsel March 24-26, 2015
 - c. Western Regional Meeting June 17-19, 2015
 - d. 108th Annual Meeting October 25-28, 2015
 - 2. Mr. Baker moved that the Board send a letter to NASBA in support of Janice Gray’s nomination as NASBA’s vicechair. Mr. Ferguson seconded the motion and it passed unanimously.
 - 3. Mr. Ferguson moved to nominate Mr. Baker as NASBA’s southwest regional director. Ms. Fletcher seconded the motion and it passed unanimously.
- E. Mr. Prothro reported on thank you notes from the public from/for:
 - 1. Representative Michael Conaway
 - 2. The Board’s ACAN program
 - 3. Rhonda Fellner
 - 4. Anthony Sanchez
 - 5. William Treacy

IV. The following was presented:

Dr. Flagg, Qualifications Committee Chair, reported on the Joint Qualifications and Rules Committee meeting held January 28, 2015.

Members Present

J. Coalter Baker, CPA
Jonathan B. Cluck, Esq.
Rocky L. Duckworth, CPA
James C. Flagg, PhD, CPA
J. Kamas, CPA
Robert M. McAdams, CPA

Maribess L. Miller, CPA
Rosie Morris, PhD, CPA
Steve D. Peña, CPA
Thomas G. Prothro, CPA
ex officio
Melanie G. Thompson, CPA

Member Absent

William Lawrence

Staff Present

Karen Davis
Gilbert Gutierrez
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
Virginia Moher, Esq., CPA
Julie Prien
Marisa Rios
April Serrano
William Treacy
Daniel L. Weaver

- A. Dr. Flagg reported that the joint committees discussed the proposed revisions to the AICPA standards regarding preparation engagements and decided not to recommend to the Board any revisions to Board rules, until such time, as the AICPA had actually finalized its proposals.

- B. Dr. Flagg moved to authorize the executive director to publish the proposed amendments to Board *Rule 511.52 (Recognized Institutions of Higher Education)* in the *Texas Register* for public comment. Mr. Cluck seconded the motion and it passed unanimously. **(ATTACHMENT 2)**
- C. Dr. Flagg moved to authorize the executive director to publish the proposed amendments to Board *Rules 511.59 (Definition of 150 Semester Hours)* and *511.51 (Educational Definitions)* in the *Texas Register* for public comment. Mr. Cluck seconded the motion and it passed unanimously. **(ATTACHMENT 3)**
- D. Dr. Flagg moved to authorize the executive director to publish the proposed amendments to Board *Rule 511.54 (Recognized Texas Community Colleges)* in the *Texas Register* for public comment. Mr. Cluck seconded the motion and it passed unanimously. **(ATTACHMENT 4)**
- E. Dr. Flagg reported that the joint committee reviewed information from NASBA but no action was required.

Mr. Baker, Rules Committee Chair, reported on the Rules Committee meeting held March 25, 2015.

Members Present

J. Coalter Baker, CPA
William Lawrence
Steve D. Peña, CPA
Thomas G. Prothro, CPA
ex officio

Members Absent

Rocky L. Duckworth, CPA
Maribess L. Miller, CPA

Others Present

Jon R. Keeney
Tim LaFrey, Esq., CPA
Gary S. McIntosh, CPA
Bob Owen, CPA

Staff Present

Karen Davis
Tiffney Duncan
Alan Hermanson, CPA
J. Randel Hill, Esq.
Virginia Moher, Esq., CPA
Julie Prien
Marisa Rios
April Serrano

- A. Mr. Baker moved to authorize the executive director to publish the proposed amendments to Board *Rules 501.52 (Definitions)* and *527.4 (Enrollment & Participation)* in the *Texas Register* for public comment. Mr. Peña seconded the motion and it passed unanimously. **(ATTACHMENT 5)**
- B. Mr. Baker moved to authorize the executive director to publish the proposed amendments to Board *Rule 501.52 (Definitions)* in the *Texas Register* for public comment. Mr. Peña seconded the motion and it passed unanimously. **(ATTACHMENT 6)**
- C. Mr. Baker moved to authorize the executive director to publish the proposed amendments to Board *Rules 501.80 (Practice of Public Accountancy)*, *501.81 (Firm License Requirements)*, *511.121 (Application for Approval of Experience)*, *511.122 (Acceptable Work Experience)*, and *527.4 (Enrollment & Participation)* in the *Texas Register* for public comment. Mr. McAdams seconded the motion and it passed unanimously. **(ATTACHMENT 7)**
- D. The next committee meeting was scheduled for May 20, 2015 at 1:30 p.m.
- V. Mr. Peña, Peer Review Committee Chair, reported on the March 3, 2015 committee meeting.

Members Present

Jerrel Cross, CPA
Rocky L. Duckworth, CPA
Larry H. Henderson, CPA
Robert M. McAdams, CPA
Steve D. Peña, CPA
W. David Rook, CPA

Members Absent

John W. Anderson, III, CPA
Jonathan B. Cluck, Esq.
Dan H. Hanke, CPA

Others Present

J. Coalter Baker, CPA

Staff Present

Karen Davis
Tiffney Duncan
J. Randel Hill, Esq.
Virginia Moher, Esq., CPA
April Serrano
William Treacy
Daniel L. Weaver

- Mr. Peña reported that Board staff presented a brief overview of the current Peer Review Process and provided statistical information from the TSCPA on the levels of attest service provided by the firms enrolled in the Peer Review Program and that there are currently 38 firms that are in the accelerated re-

view process, with accelerated reviews due in 2015. Mr. Peña also stated that the Rules Committee recommended revisions to Board *Rules 501.52 (Definitions)* and *527.4 (Enrollment and Participation)* to align the rules with the recently adopted AICPA standard concerning preparation engagements. It was agreed that the Board should continue to align itself with the AICPA standards and the rule was revised to exclude compilations where no report is required, and preparation engagements, if that is the highest level of service a firm provides. The Committee also discussed Board *Rule 527.5 (Successive Deficient Reviews)* and whether there was a need to clarify Pass with Deficiencies and Fail results for further action by our Enforcement Division. No action was taken on this agenda item. Board Staff will collect feedback from committee members and will continue this discussion at a future meeting.

VI. Mr. Baker, Behavioral Enforcement Committee Member, reported on the following committee meetings.

January 8, 2015

Members Present

J. Coalter Baker, CPA
John R. Broadus, CPA
Jonathan B. Cluck, Esq.
Donald W. Harcum, CPA
Donna J. Hugly, CPA
Maribess L. Miller, CPA
Ben Peña, CFE, CPA

Member Absent

James D. Ingram, IV, CPA

Staff Present

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

- A. Mr. Peña moved to dismiss **Investigation No. 14-08-07L¹** based on voluntary compliance. Ms. Fletcher seconded the motion and it passed.
- B. Other – The committee considered eight other investigations, which require no Board action at this time.
- C. The next committee meeting was scheduled for March 11, 2015 at 9:15 a.m.

March 11, 2015

Members Present

J. Coalter Baker, CPA
John R. Broadus, CPA
Jonathan B. Cluck, Esq.
Donald W. Harcum, CPA
Donna J. Hugly, CPA
James D. Ingram, IV, CPA
Ben Peña, CFE, CPA

Member Absent

Maribess L. Miller, CPA

Staff Present

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

- A. Mr. Keeney moved to dismiss the following investigations based on insufficient evidence of a violation of the *Act* or *Rules*:
 - 1. Investigation Nos. 15-01-09L¹ and 15-01-10L¹
 - 2. Investigation Nos. 14-12-06L¹ and 12-12-07L¹
 - 3. Investigation Nos. 14-11-05L¹ and 14-11-06L¹
 - 4. Investigation No. 14-10-15L¹
- B. Other – The committee considered 15 other investigations, which require no Board action at this time.
- C. The next committee meeting is scheduled for April 30, 2015.

VII. Mr. Ferguson, Technical Standards Review Committee Member, reported on the February 10, 2015 committee meeting.

Members Present

Rocky L. Duckworth, CPA
Everett R. Ferguson, CPA
Jon R. Keeney, CPA
David L. King, CPA
Michael McConnell, CPA

Member Absent

Steve D. Peña, CPA
W. David Rook, CPA

Staff Present

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

Others Present

Joseph W. Richardson,
CPA

- A. Mr. Broaddus moved to dismiss the following investigations based on insufficient evidence of a violation of the *Act* or *Rules of Professional Conduct*. Mr. Baker seconded the motion and it passed.
 - 1. Investigation Nos. 13-11-03L² and 13-11-04L²
 - 2. Investigation Nos. 13-08-03L² and 13-08-04L²
 - 3. Investigation Nos. 14-06-01L² and 14-06-02L²
 - B. Other – The committee considered four other investigations, which require no Board action at this time.
 - C. The next committee meeting was scheduled for May 1, 2015 at 10:00 a.m.
- VIII. Ms. Moher, Staff Attorney, reported on the status of the Enforcement Division’s probation monitoring docket.
- IX. Mr. Hill, General Counsel, reported on the status of investigations into alleged violations of *Subchapter J* of the *Public Accountancy Act*, regarding the unauthorized practice of public accountancy.
- X. The Board took the following actions on Agreed Consent Orders, Proposals for Decisions, and Agreed Cease and Desist Orders:

A. **Agreed Consent Orders**

Behavioral Enforcement Committee

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

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|----|----------------------------|--|--------------------------|------------------------|
| 1. | Investigation Nos.: | 13-07-08L & 13-07-09L | Hometown: | San Antonio, TX |
| | Respondents: | Betty Harris &
Dr. Betty Works, CPA | Certificate No.: | 078727 |
| | | | Firm License No.: | R00485 |

Respondents entered into an ACO with the Board whereby Respondent and Respondent Firm were reprimanded. In addition to Respondent’s annual CPE requirement, Respondent must complete four hours of live CPE in ethics and 16 hours of live CPE in the area of individual tax by December 1, 2015. Respondents failed to exercise due professional care in the preparation of a client’s tax return and understated the client’s income.¹

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|----|----------------------------|--|--------------------------|-----------------------|
| 2. | Investigation Nos.: | 14-07-17L & 14-07-18L | Hometown: | Waxahachie, TX |
| | Respondents: | Jeffrey Lewis Lyon &
Jeffrey L. Lyon (Firm) | Certificate No.: | 055659 |
| | Rule Violations: | 501.74, 501.90(7) | Firm License No.: | T03556 |
| | Act Violation: | 901.502(6) | | |

Respondents entered into an ACO with the Board whereby Respondent and Respondent Firm were reprimanded. In addition, Respondents must pay an administrative penalty of \$210.15 in administrative costs within 30 days of the date of the Board Order. Respondent was the subject of a Consent Order of Permanent Injunction issued by the U.S. District Court for the Northern District of Texas in a case brought by the U.S. Commodity Futures Trading Commission. Respondent was the Chief Financial Officer of two entities which were found to have violated several sections of the Commodities Exchange Act.¹

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|----|---------------------------|------------------------------|-------------------------|----------------------|
| 3. | Investigation No.: | 13-07-06L | Hometown: | Deer Park, TX |
| | Respondent: | Lisa Edwards Richards | Certificate No.: | 044826 |
| | Rule Violations: | 501.93, 501.76 | | |
| | Act Violation: | 901.502(6) | | |

Respondent entered into an ACO with the Board whereby Respondent was reprimanded. In addition, Respondent must pay an administrative penalty of \$2,000 and \$273.23 in administrative costs within 30 days of the date of the Board Order. Respondent failed to respond to Board communications and failed to return client records in a timely manner.¹

4. **Investigation Nos.:** 14-10-03L & 14-10-04L **Hometown:** Conroe, TX
Respondents: Robert G. Vanwassehnova **Certificate No.:** 028667
& Vanwassehnova & Associates **Firm License No.:** P04712
Rule Violation: 501.71
Act Violation: 901.502(6)

Respondents entered into an ACO with the Board whereby Respondent and Respondent Firm were reprimanded. In addition, Respondents must pay \$85.77 in administrative costs within 30 days of the date of the Board Order. Respondent received a commission on the sale of a life insurance policy and did not disclose in writing the receipt of such commission.¹

TECHNICAL STANDARDS REVIEW COMMITTEE (TSR)

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

1. **Investigation Nos.:** 14-10-03T & 14-10-04T **Hometown:** Garland, TX
Respondents: Robert Joseph Kollmansberger **Certificate No.:** 010554
& R. J. Kollmansberger, CPA **Firm License No.:** R01219
Rule Violation: 527.5
Act Violation: 901.502(12)

Respondents entered into an ACO with the Board whereby the Respondents were placed on limited scope status until a petition for removal is approved by the TSR Committee. Respondent firm must submit all work pertaining to audits and reviews, including work papers and reports, to an approved pre-issuance reviewer for review prior to issuance of a report to a client. The Respondents may perform compilations and preparation services without preissuance. The predecessor firm of Ragsdale and Kollmansberger had successive deficient peer reviews. The predecessor firm was dissolved on July 1, 2014 and held firm license number P04710.²

2. **Investigation No.:** 14-12-15L **Hometown:** Garland, TX
Respondent: Ragsdale, Curtis, and **Firm License No.:** C08819
Lagow CPAs LLC
Rule Violation: 527.5
Act Violation: 901.502(12)

Respondent firm entered into an ACO with the Board whereby the firm agreed to complete an accelerated peer review on or before October 15, 2015. If a peer review is not completed on or before October 15, 2015, the Executive Director, in the absence of good cause for failure to meet the completion date, may place Respondent firm on limited scope without the opportunity for hearing. The scope limitation may not allow Respondent firm to issue audits, reviews and compilations. The predecessor firm of Ragsdale and Kollmansberger had successive deficient peer reviews. The predecessor firm was dissolved on July 1, 2014 and held firm license number P04710.³

3. **Investigation Nos.:** 13-12-04L & 13-12-05L **Hometown:** Pflugerville, TX
Respondents: Anna K. Swenson & **Certificate No.:** 079648
Anna K. Swenson, CPA, PLLC **Firm License No.:** C08139
Rule Violations: 501.76, 501.81, 501.90(2)
501.90(11), 501.90(12) and 501.93, 527.4
Act Violations: 901.502(6), 901.502(11), and 901.502(12)

Respondents entered into an ACO with the Board whereby Respondent Swenson agreed to involuntarily surrender her certificate for revocation in lieu of further disciplinary proceedings. Within 30 days of the Board Order, Respondent Swenson must return the original Certificate to the Board's Enforcement Division. Respondent Swenson performed an audit of Grace Episcopal Church for the fiscal year ending December 31, 2010 when she did not hold a firm license and received payment and failed to reimburse her client for an attest service that she failed to complete. Respondent Swenson also failed to respond to client inquiries within a reasonable time and without good cause; failed to provide copies of work papers requested by the Board; failed to respond to numerous Board communications; made deceitful statements to her client and board staff and signed an affidavit taking an exemption from peer review although Respondents performed at least one attest service during the period. Respondent firm has failed to participate in peer review.³

4.	Investigation No.: Respondent:	13-10-01L Emmanuel Nwachukwu & Nwachukwu & Company	Hometown: Certificate No.:	Dallas, TX 069652
	Rule Violation: Act Violations:	501.93 901.502(6), 901.502(11)		

Respondent entered into an ACO with the Board whereby the Board accepted the Respondent's offer of an involuntary surrender of his certificate in lieu of further disciplinary proceedings. Respondent must also pay \$885.88 in administrative costs within 30 days of the date the Board ratifies the order. Respondent did not respond to Board communications dated October 2, 2013; October 17, 2013; and November 22, 2013.³

B. Mass Hearings

Mr. McAdams moved to approve the following Proposals for Decision as presented. Mr. Peña seconded the motion and it passed unanimously.

1. Respondents: In the Matter of Disciplinary Action Against Certain Licensees for Nonpayment of Professional Fees for Three Consecutive License Periods

The respondents failed to pay their licensing fees for three consecutive license periods. Following the public hearing, an Administrative Law Judge (ALJ) of the State Office of Administrative Hearings recommended that the certificate of each respondent still not in compliance be revoked without prejudice. Each respondent may regain his or her certificate by paying all license fees and penalties and by otherwise coming into compliance with the *Act*. The ALJ found that the respondents violated *Section 901.502(4)* (failure to pay license fees for three consecutive years) of the *Act*. The respondents, although properly notified, failed to appear, and were not represented at the hearing. No Board Committee considered these actions. **(ATTACHMENT 8)**

Docket	Investigation Numbers	Scheduled Hearing
457-15-0003	14-10-10001 - 14-10-10022	November 18, 2014
457-15-0503	14-11-10001 - 14-11-10041	December 9, 2014

2. Respondents: In the Matter of Disciplinary Action Against Certain License Holders for CPE Delinquencies

The respondents failed to comply with CPE reporting requirements found in *Chapter 523* of the *Rules* and *Section 901.411* of the *Act*. Following the scheduled public hearing, an Administrative Law Judge (ALJ) of the State Office of Administrative Hearings recommended that the license of each respondent still not in compliance be suspended for a period of three years, or until he or she complies with the licensing requirements of the *Act*, whichever is sooner. Additionally, the ALJ recommended a \$100 penalty be imposed for each year a respondent is not in compliance with the Board's CPE requirements. The ALJ found that the respondents violated *Sections 501.94* (mandatory CPE) and *523.111* (mandatory CPE reporting) of the Board's *Rules*, and *901.411* (CPE) of the *Act*. The respondents, although properly notified, failed to appear, and were not represented at the hearing. No Board Committee considered these actions. **(ATTACHMENT 9)**

Docket	Investigation Numbers	Scheduled Hearing
457-15-0004	14-10-10023 - 14-10-10191	November 18, 2014
457-15-0504	14-11-10042 - 14-11-10206	December 9, 2014

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

The respondents failed to complete their license renewal notices in accordance with *Section 515.3* of the Board's *Rules*. Following a public hearing, an Administrative Law Judge (ALJ) of the State Office of Administrative Hearings recommended that the certificate of each respondent not in compliance be revoked without prejudice until such time as the respondent complies with the requirements of the *Rules* and the *Act*. The ALJ found that the respondents violated *Section 901.502(12)* of the *Act* (regarding violations of Board *Rules*). Although properly notified, the respondents failed to appear in person or by authorized representative. No Board Committee considered these actions. **(ATTACHMENT 10)**

Docket	Investigation Numbers	Scheduled Hearing
457-15-0005	14-10-10192 - 14-10-10212	November 18, 2014
457-15-0505	14-11-10207 - 14-11-10224	December 9, 2014

C. Agreed Cease and Desist Orders

Mr. Ferguson moved to approve the following Agreed Cease and Desist Orders (ACDOs) as presented. Mr. Broaddus seconded the motion and it passed unanimously.

- **Investigation No.:** 14-09-14N
Respondents: Mbi Ebot and Ebot & CPAs, PLLC
Hometown: Dallas, Texas
Act Violation: 901.451

Respondents entered into an Agreed Cease and Desist Order with the Board whereby Respondents will cease and desist from providing attest services and using reserved terms until or unless Respondents comply with the registration and licensing provisions of the Act. Respondents used the CPA designation although Respondents do not hold licenses in Texas.

XI. Mr. Prothro reviewed the schedule of future Board meetings.

XII. Mr. Prothro adjourned the meeting at 11:15 a.m.

ATTEST:

Thomas G. Prothro, CPA, Presiding Officer

Maribess L. Miller, CPA, Secretary

¹ Mr. Baker, Mr. Broaddus, Mr. Cluck, and Ms. Hugly recused themselves from participating in this matter.

² Mr. Duckworth, Mr. Ferguson, and Mr. Keeney recused themselves from participating in this matter.

³ Mr. Duckworth, Mr. Ferguson, Mr. Keeney, and Mr. Peña recused themselves from participating in this matter.