

Texas State Board of Public Accountancy

May 12, 2016

The Texas State Board of Public Accountancy met from 10:00 a.m. until 10:56 a.m. on May 12, 2016, 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 3:40 p.m. on April 9, 2016. (TRD #2016-002941).
(ATTACHMENT 1)

Board Members Present

J. Coalter Baker, CPA
Presiding Officer
John R. Broaddus, CPA
Jonathan B. Cluck, Esq.
Rocky L. Duckworth, CPA
Member-at-Large
Donna J. Hugly, CPA
Assistant Presiding Officer
Ross T. Johnson, CPA
Timothy L. LaFrey, Esq., CPA
William Lawrence
Member-at-Large
Robert M. McAdams, CPA
Treasurer
Roselyn E. Morris, Ph.D., CPA
Benjamin Peña, CFE, CPA
Kimberly E. Wilkerson, Esq.
Phillip W. Worley

Board Members Absent

Susan Fletcher
excused
Steve D. Peña, CPA
Secretary
excused

Others Present

Jarrett Hill
Frank McElroy, Esq.
Sean McVey
Robert Owen, CPA
Mark Vane, Esq.
Gavin Villarreal

Staff Present

Paulette Beiter, Esq.
Ismael Castillo
Karen Davis
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
Joseph Jaffe
Marissa Mahoney
Virginia Moher, Esq., CPA
Julie Prien
Marisa Rios
April Serrano
William Treacy
Daniel Weaver

- I. Mr. Baker, 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 Ms. Fletcher and Mr. S. Peña from the Board meeting. Mr. Worley seconded the motion and it passed unanimously.

At this time, Mr. Baker introduced Sean McVey and Jarrett Hill from the audience.

- II. Mr. McAdams moved to approve the March 24, 2016 Board meeting minutes as presented. Mr. Cluck seconded the motion and it passed unanimously.
- III. Mr. Baker, Executive Committee Chair, reported on the May 11, 2016 committee meeting.

Members Present

J. Coalter Baker, CPA
Rocky L. Duckworth, CPA
Donna J. Hugly, CPA

William Lawrence
Robert M. McAdams, CPA
Steve D. Peña, CPA

Staff Present

Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
William Treacy
Daniel Weaver

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

B. Mr. McAdams reported that the committee discussed the budget plan for FY 2017 and will bring the formal proposed budget forward for approval at the July 14, 2016 Board meeting.

C. The following was reported:

- Mr. Baker reviewed the following NASBA dates of interest
 - a. Western Regional Meeting – June 22–24, 2016 in Denver, CO.
 - b. 109th Annual Meeting – October 30–November 2, 2016 in Austin, TX.

D. Mr. Baker reviewed thank you letters from the public to the Board.

E. Mr. McAdams moved to approve the following professional service contract as presented. Ms. Hugly seconded the motion and it passed unanimously.

FY 2016:

Technical Standards Review Committee:

- Belen Briones, CPA 05/1/16 – 8/31/16 \$10,000

F. Mr. Baker reported that the committee had discussed the executive director's evaluation process and evaluation forms will be submitted electronically to members with a requested return date of Friday, June 3, 2016 to allow for inclusion in the July Board meeting agenda.

IV. Ms. Hugly, Rules Committee Chair, reported on May 11, 2016 committee meeting.

Members Present

J. Coalter Baker, CPA
ex officio
Jonathan B. Cluck, Esq.
Rocky L. Duckworth, CPA
Donna J. Hugly, CPA
Timothy L. LaFrey, Esq.,
CPA
Steve D. Peña, CPA

Others Present

William Lawrence
Robert M. McAdams, CPA
Robert Owen, CPA

Staff Present

Paulette Beiter, Esq.
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
Marissa Mahoney
Marisa Rios
William Treacy
Daniel Weaver

A. Mr. Broadus moved to authorize the executive director to have the proposed re-adoption and revisions of *Chapter 501 (Rules of Professional Conduct)* published in the *Texas Register* for public comment. Dr. Morris seconded the motion and it passed unanimously. *Section 501.91 (Reportable Events)* was tabled and will be brought back for consideration at the July 14, 2016 Board meeting. **(ATTACHMENT 2)**

B. Mr. Broadus moved to authorize the executive director to publish the proposed re-adoption and revisions to *Chapter 518 (Unauthorized Practice of Public Accountancy)* in the *Texas Register* for public comment. Mr. B. Peña seconded the motion and it passed unanimously. **(ATTACHMENT 3)**

C. Ms. Hugly reported that the next committee meeting was scheduled for July 13, 2016 at 1:30 p.m.

V. Mr. Baker reported on the plans for the Board's June 18, 2016 swearing-in ceremony.

VI. Mr. Broadus, Behavioral Enforcement Committee Chair, reported on the April 27, 2016 committee meeting.

Members Present

John R. Broadus, CPA
Jonathan B. Cluck, Esq.
Donna J. Hugly, CPA
James D. Ingram, IV, CPA
Karen W. Jones, CPA
Timothy L. LaFrey, Esq., CPA

Members Absent

Donald W. Harcum, CPA
Ben Peña, CFE, CPA

Staff Present

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

- A. Mr. McAdams moved to dismiss the following investigations based on insufficient evidence of a violation of the *Rules* or *Act*. Mr. Lawrence seconded the motion and it passed.

1. **Investigation No. 16-04-01T¹**
2. **Investigation Nos. 16-03-05L¹ and 16-03-06L¹**
3. **Investigation Nos. 15-11-16L¹ and 15-11-17L¹**

- B. Mr. Worley moved to dismiss **Investigation Nos. 15-11-12L¹ and 15-11-13L¹** based on voluntary compliance. Mr. B. Peña seconded the motion and it passed.

- C. Other – The committee considered six other investigations, which require no Board action at this time.

- D. The next committee meeting was scheduled for June 30, 2016.

- VII. Mr. Duckworth, Technical Standards Review Committee Chair, reported on the April 26, 2016 committee meeting.

Members Present

Rocky L. Duckworth, CPA
David L. King, CPA
Michael McConnell, CPA
Steve D. Peña, CPA
Kimberly Wilkerson, Esq.

Members Absent

Ross T. Johnson, CPA
David W. Rook, CPA

Staff Present

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

- A. Other – The committee considered eight investigations, which require no Board action at this time.

- B. The next committee meeting was scheduled for August 10, 2016.

- 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 an Agreed Cease and Desist Order:

A. Agreed Consent Orders

Behavioral Enforcement Committee

Mr. McAdams moved to approve the following Agreed Consent Order (ACO) as presented. Mr. Worley seconded the motion and it passed.

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|-------------------------------|---|--------------------------|--------------------|
| 1. Investigation Nos.: | 15-04-06L, 15-04-07L,
15-04-12L & 15-04-13L | Hometown: | Houston, TX |
| Respondents: | David Eugene Hamblin
& David E. Hamblin (Firm) | Certificate No.: | 029997 |
| Rule Violations: | 501.76, 501.93 | Firm License No.: | T00645 |
| Act Violations: | 901.502(6), 901.502(11) | | |

Respondents entered into an ACO with the Board whereby Respondent and Respondent Firm were reprimanded. In addition, Respondent's certificate and Respondent Firm's license were revoked for two years from the effective date of the Board Order. However, the revocation was stayed and Respondents were placed on probation for two years and must pay \$160.82 in administrative costs within 30 days of the Board Order. Respondent failed to return client records and failed to respond to Board communications in a timely manner.²

Mr. Lawrence moved to approve the following Agreed Consent Order (ACO) as presented. Mr. McAdams seconded the motion and it passed.

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| 2. | Investigation Nos.:
Respondents: | 15-12-08L & 15-12-09L
Aurelia Evers Weems &
Aurelia E. Weems, CPA,
PLLC (Firm) | Hometown:
Certificate No.:
Firm License No.: | Houston, TX
087946
C07864 |
| | Rule Violations:
Act Violation: | 501.90(12), 501.74, 501.76
901.502(6) | | |

Respondents entered into an ACO with the Board whereby Respondent and Respondent Firm were reprimanded. In addition, Respondents must pay a \$500 administrative penalty and \$119.11 in administrative costs within 30 days of the date of the Board Order. Respondents failed to respond to a client's inquiries, failed to provide client records and a copy of a client's tax returns upon request and failed to exercise due professional care in taking on an engagement which she could not reasonably expect to complete with due professional competence.³

Technical Standards Review Committee

Mr. Broadus moved to approve the following ACOs as presented. Mr. B. Peña seconded the motion and it passed.

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| 1. | Investigation Nos.:
Respondents: | 15-10-10L, 15-10-11L
& 15-10-12L
M&K CPAs, PLLC,
Matthew P. Manis, Jr. & Jon Eric Ridenour | Hometown:
Certificate Nos.:
Firm License No.: | Houston, TX
061681 (Manis)
& 093935 (Ridenour)
C06793 |
| | Rule Violation:
Act Violation: | 501.90(7)
901.502(6) | | |

Respondents entered into an ACO with the Board whereby Respondent Firm was reprimanded and Respondents Manis and Ridenour are subject to a scope limitation for five years from the effective date of the Board Order, as further described below. In addition, Respondent Firm must pay an administrative penalty of \$36,000 and administrative costs of \$774.23; Respondent Manis must pay an administrative penalty of \$16,000; and Respondent Ridenour must pay an administrative penalty of \$12,000 according to payment plans set out in the ACO. During the five-year scope limitation, Respondents Manis and Ridenour are prohibited from performing audits that are required to be performed in accordance with the Statements on Auditing Standards (SAS), auditing standards included in Standards for Audit of Government Organizations, Programs, Activities and Functions issued by the U.S. General Accountability Office (GAO), auditing and related professional practice standards to be used by registered public accounting firms issued by the Public Company Accounting Oversight Board (PCAOB), and other pronouncements having similar generally recognized authority. Respondents entered into an Offer of Settlement with the Securities and Exchange Commission (SEC) which constitutes a consent decree related to the performance of audits performed for public companies. The consent decree included the following sanctions: Respondents Manis and Ridenour were denied the privilege of appearing or practicing before the SEC and Respondent Firm was censured. In addition, Respondent Manis paid a civil penalty of \$20,000, Respondent Ridenour paid a civil penalty of \$15,000, and Respondent Firm paid a civil penalty of \$50,000 and was ordered to disgorge its audit fees plus interest.⁴

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|----|--|--|---|-------------------------------------|
| 2. | Investigation No.:
Respondent:
Rule Violation:
Act Violation: | 15-10-13L
Benjamin Joel Ortego
501.90(7)
901.502(6) | Hometown:
Certificate No.: | Houston, TX
094845 |
|----|--|--|---|-------------------------------------|

Respondent entered into an ACO with the Board whereby he was Reprimanded and placed on probation for a period of three years from the effective date of the Board Order. In addition, Respondent must pay an administrative penalty of \$25,000 and administrative costs of \$119.11 according to a payment plan set out in the ACO. Respondent entered into an Offer of Settlement with the SEC which constitutes a consent decree related to the performance of audits performed for public companies. Respondent accepted a minimum three year ban from appearing or practicing before the SEC and paid a \$50,000 civil money penalty.⁴

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| 3. | Investigation Nos.:
Respondents: | 13-01-29L & 13-01-30L
Mahesh K. Thakkar &
Mahesh K. Thakkar, CPA, Inc. | Hometown:
Certificate No.:
Firm License No.: | Plano, TX
088101
C07243 |
| | Rule Violations:
Act Violations: | 501.60, 501.93, 527.4
901.502(6), 901.502(11), 901.502(12) | | |

Respondents entered into an ACO with the Board whereby Respondents and all successor CPA firms of Respondents, and all CPA firms managed by Respondents, referred to herein collectively for all purposes as Respondents, were Suspended from performing attest work, as defined by *Section 901.002(a)(1)* of the *Act* for two years starting from the effective date of the Board Order. After the passage of two years, Respondents may only apply to the TSR Committee for reinstatement of Respondents' ability to perform attest services subject to pre-issuance review. In addition, Respondents must pay an administrative penalty of \$15,000 and \$7,901.65 in administrative costs according to a payment plan set out in the ACO. The Respondents issued an audit that did not comply with generally accepted auditing standards. Respondents also failed to respond to the Board's written communications and Respondent Firm did not timely participate in peer review.⁵

B. Mass Hearings

Mr. Cluck moved to approve the following Proposals for Decision as presented. Ms. Hugly 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 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*. (ATTACHMENT 4)

Docket	Investigation Numbers	Scheduled Hearing
457-16-1027	15-12-10001 – 15-12-10027	January 26, 2016
457-16-1406	16-01-10001 – 16-01-10019	February 23, 2016

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 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. (ATTACHMENT 5)

Docket	Investigation Numbers	Scheduled Hearing
457-16-1028	15-12-10028 – 15-12-10215	January 26, 2016
457-16-1407	16-01-10020 – 16-01-10179	February 23, 2016

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*. (ATTACHMENT 6)

Docket	Investigation Numbers	Scheduled Hearing
457-16-1029	15-12-10216 – 15-12-10223	January 26, 2016
457-16-1408	16-01-10180 – 16-01-10193	February 23, 2016

C. Agreed Cease and Desist Order

Dr. Morris moved to approve the following Agreed Cease and Desist Order as presented. Mr. Broadus seconded the motion and it passed unanimously.

Investigation No.:	16-03-01N	Hometown:	Round Rock, TX
Respondent:	Laura Van Cleave		
Act Violation:	901.456		

Respondent entered into an ACDO with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the *Act*, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy. Respondent provided an attest service, an audit, although Respondent does not hold a firm license in Texas. This action constitutes a violation of *Section 901.456* of the *Act*.

- XI. No action was taken on the adoption of Board *Rules*.
- XII. Mr. Baker reviewed the schedule of future Board meetings.
- XIII. Mr. Baker adjourned the meeting at 10:56 a.m.

ATTEST:

J. Coalter Baker, CPA, Presiding Officer

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

² Mr. Baker, Mr. Broaddus, Mr. Cluck, Ms. Hugly, Mr. LaFrey and Mr. B. Peña recused themselves from participating in this matter.

³ Mr. Broaddus, Mr. Cluck, Ms. Hugly, Mr. LaFrey, and Mr. B. Peña recused themselves from participating in this matter.

⁴ Mr. Duckworth, Mr. Johnson, and Ms. Wilkerson recused themselves from participating in this matter.

⁵ Mr. Duckworth recused himself from participating in this matter.