

Texas State Board of Public Accountancy

September 22, 2016

The Texas State Board of Public Accountancy met from 10:00 a.m. until 11:10 a.m. on September 22, 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 9:24 a.m. on September 9, 2016. (TRD #2016-006191).
(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
Steve D. Peña, CPA
Secretary
Kimberly E. Wilkerson, Esq.
Phillip W. Worley

Board Members Absent

Susan Fletcher
excused

Others Present

Jason Danowsky
Frank McElroy, Esq.
Logan Mims
John Sharbaugh
Mark Vane, Esq.

Staff Present

Josephine Briones
Paulette Beiter, Esq.
Roel Cantu
Ismael Castillo
Karen Davis
Tiffney Duncan
Lance Fitzgerald, Esq., CPA
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
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 from the Board meeting. Ms. Hugly seconded the motion and it passed unanimously.

Mr. Baker presented Tiffney Duncan with a 5-year service award plaque and Josephine Briones with a 10-year service award plaque. He also introduced Sean McVey and Logan Mims from the audience.

- II. Mr. Cluck moved to approve the July 14, 2016 Board meeting minutes as presented. Dr. Morris seconded the motion and it passed unanimously.
- III. Mr. Baker, Executive Committee Chair, reported on the September 21, 2016 committee meeting.

Members Present

J. Coalter Baker, CPA
Donna J. Hugly, CPA
William Lawrence
Steve D. Peña, CPA

Members Absent

Rocky L. Duckworth, CPA
Robert M. McAdams, CPA

Others Present

Robert Gonzales, CPA
Monday Rufus, CPA
Benjamin Peña, CFE, CPA

Staff Present

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

- A. Mr. Broaddus moved to approve the Board's financial statements as presented. Mr. S. Peña seconded the motion and it passed unanimously.
- B. Mr. S. Peña moved to approve the allocation of \$750,000 for FY 2017 fifth-year accounting student scholarships. Mr. Broaddus seconded the motion and it passed unanimously.
- C. Mr. S. Peña moved to approve the Internal Audit Reports for the Peer Review Program and Information Systems – System Development as presented. Mr. Worley seconded the motion and it passed unanimously.
- D. Mr. Baker asked members to select dates for committee and Board meetings for CY 2017.
- E. Ms. Hugly moved to nominate Mr. Baker as the Board's voting delegate at NASBA's 109th Annual Meeting being held in Austin, Texas on October 30 – November 2, 2016. Mr. S. Peña seconded the motion and it passed unanimously.
- F. Mr. Baker reported that the committee decided that no response would be submitted on the AICPA's Proposed Evolution of Peer Review Administration.
- G. Mr. Broaddus moved to approve the following FY 2017 professional service contracts, FY 2016 amendments and FY 2016 new contract as presented. Mr. McAdams seconded the motion and it passed unanimously.

FY 2017 contracts

Technical Standards Review and Behavioral Enforcement

Committee consultants:

1. William Patrick Cantrell, CPA	9/1/16 – 8/31/17	\$10,000
2. Harper & Pearson	9/1/16 – 8/31/17	\$145,000
3. Davis Kinard & Co. P.C.	9/1/16 – 8/31/17	\$30,000
4. Strasburger & Price, LLP	9/1/16 – 8/31/17	\$25,000
5. Cook Brooks Johnson	9/1/16 – 8/31/17	\$15,000
6. Belen Briones, CPA	9/1/16 – 8/31/17	\$10,000

Peer Review Committee consultants:

1. John Mason Andres, CPA	9/1/16 – 8/31/17	\$22,700
2. John Michael Waters, CPA	9/1/16 – 8/31/17	\$18,600
3. Rebecca J. Teague, CPA	9/1/16 – 8/31/17	\$16,500

Office of the Attorney General	9/1/16 – 8/31/17	\$37,500
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State Office of Administrative Hearings	9/1/16 – 8/31/17	\$25,932
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Internal Audit	9/1/16 – 8/31/17	\$25,000
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Peer Assistance (ACAN)	9/1/16 – 8/31/17	\$107,500
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Independent consultant contract (SOAH litigation):

1. Mary Alice Boehm-McKaughan	9/1/16 – 8/31/17	\$76,500
2. Dubois Bryant & Campbell	9/1/16 – 8/31/17	\$25,000

Independent consultant contract:

1. Allen, Pinnix & Nichols, PA	9/1/16 – 8/31/17	\$5,000
2. Virginia Moher, Esq., CPA	9/1/16 – 8/31/17	\$5,000

Sponsor Review Program consultants:

Master Reviewers:

Ron Huntsman	9/1/16 – 8/31/17	\$150.00/hour
Mitch Sutherlin	9/1/16 – 8/31/17	\$150.00/hour

Reviewers:

Kathy Abshire	9/1/16 – 8/31/17	\$125.00/hour
Richard Baland	9/1/16 – 8/31/17	\$125.00/hour
Michael Burnett	9/1/16 – 8/31/17	\$125.00/hour
Manuel Cavazos	9/1/16 – 8/31/17	\$125.00/hour
David Crumbaugh	9/1/16 – 8/31/17	\$125.00/hour
Helen Cruz-Diaz	9/1/16 – 8/31/17	\$125.00/hour
Pamela Evans	9/1/16 – 8/31/17	\$125.00/hour
Jennifer Fadal	9/1/16 – 8/31/17	\$125.00/hour
John Jones	9/1/16 – 8/31/17	\$125.00/hour
Connie Kelly	9/1/16 – 8/31/17	\$125.00/hour
Tim Madrigal	9/1/16 – 8/31/17	\$125.00/hour
Michael McMenamy	9/1/16 – 8/31/17	\$125.00/hour
Ray Newman	9/1/16 – 8/31/17	\$125.00/hour
Timothy Prebe	9/1/16 – 8/31/17	\$125.00/hour
Darlene Pulliam	9/1/16 – 8/31/17	\$125.00/hour
Janet Ann Smith	9/1/16 – 8/31/17	\$125.00/hour
Mark Turner	9/1/16 – 8/31/17	\$125.00/hour
Neal Van Zante	9/1/16 – 8/31/17	\$125.00/hour
Alva Winston	9/1/16 – 8/31/17	\$125.00/hour
Steve Wright	9/1/16 – 8/31/17	\$125.00/hour

FY 2016 amendments:

Technical Standards Review Committee:

1. Belen Briones	7/1/16 – 8/31/16	\$11,000
<i>(Increase contract by \$11,000 from \$10,000 to \$21,000)</i>		
2. Davis Kinard & Co., PC	7/15/16 – 8/31/16	\$10,000
<i>(Increase contract by \$10,000 from \$30,000 to \$40,000)</i>		
3. Harper & Pearson	8/1/16 – 8/31/16	\$15,000
<i>(Increase contract by \$15,000 from \$145,000 to \$160,000)</i>		

FY 2016 New Contract:

Independent consultant contract:

• Virginia Moher, Esq., CPA	7/1/16 – 8/31/16	\$5,000
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H. Mr. Baker reviewed thank you letters from the public.

IV. Ms. Hugly, Rules Committee Chair, reported on the September 21, 2016 committee meeting.

Members Present

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

Member Absent

Rocky L. Duckworth, CPA

Others Present

Hope Everett, Esq.
Gary McIntosh, CPA
John Sharbaugh

Staff Present

Karen Davis
J. Randel Hill, Esq.
Donna Hiller
Marisa Rios
April Serrano
William Treacy
Daniel Weaver

A. Ms. Hugly moved to authorize the executive director to have the proposed re-adoption and revisions of *Chapter 519 (Practice and Procedure)* published in the *Texas Register* for public comment. Mr. Broadus seconded the motion and it passed unanimously. **(ATTACHMENT 2)**

- B. Mr. S. Peña moved to authorize the executive director to publish the proposed revisions to Board *Rule 501.93 (Responses)* in the *Texas Register* for public comment. Mr. Worley seconded the motion and it passed unanimously. **(ATTACHMENT 3)**
- C. Ms. Hugly reported that the committee had reviewed the response to the June 1, 2016 exposure draft circulated by the AICPA and NASBA regarding proposed revisions to *Section 6* of the *Uniform Accountancy Act (UAA-Recognition of Foreign Professionals)* and *Article 5* of the *Model Rules (Changes for Examination)*.
- D. Ms. Hugly reported that the next committee meeting was scheduled for November 16, 2016 at 1:30 p.m.
- V. Dr. Morris, Qualifications Committee Chair, reported on the September 21, 2016 committee meeting.

Members Present

J. Coalter Baker, CPA
ex officio
James Flagg, Ph.D., CPA
J. Kamas, CPA
Roselyn Morris, Ph.D., CPA
Benjamin Peña, CFE, CPA
Melanie Thompson, CPA

Members Absent

Robert M. McAdams, CPA

Others Present

Frank Sands, CPA

Staff Present

Paulette P. Beiter, Esq.
Karen Davis
Lance Fitzgerald, Esq., CPA
Gilbert Gutierrez
J. Randel Hill, Esq.
Donna Hiller
William Treacy

- A. Dr. Morris reported that Mr. Baker reported on the actions that NASBA and the AICPA took on boards of accountancy responses to amendments to the Model Rules.
- B. Dr. Morris moved to accept the Fifth-Year Accounting Students Scholarship Advisory Committee report of its meeting on July 19, 2016 concerning scholarship allocations and awards for FY 2015-2016, repayment process for scholarship recipients who have not taken the CPA Examination, and establishment of the scholarship program allocations for FY 2016-2017. Mr. McAdams seconded the motion and it passed unanimously.
- C. Dr. Morris moved to send *Chapter 520 (Provisions for the Fifth-Year Accounting Students Scholarship Program)* to the Rules Committee for further consideration. Mr. McAdams seconded the motion and it passed unanimously.
- D. Dr. Morris moved to send *Chapter 511 (Eligibility)* to the Rules Committee for further consideration. Mr. McAdams seconded the motion and it passed unanimously. The committee will reconsider *Section 511.82 (Application for Transfer of Credits)* at its next meeting.
- E. Dr. Morris reported that the committee reviewed other information received from other boards of accountancy, NASBA, the AICPA and Prometric.
- VI. Mr. Broaddus, Behavioral Enforcement Committee Chair, reported on the August 24, 2016 committee meeting.

Members Present

John R. Broaddus, CPA
Donald W. Harcum, CPA
Donna J. Hugly, CPA
James D. Ingram, IV, CPA
Timothy L. LaFrey, Esq., CPA
Benjamin Peña, CFE, CPA

Members Absent

Jonathan B. Cluck, Esq.
Karen W. Jones, 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. S. Peña seconded the motion and it passed.
 - 1. **Investigation Nos. 16-06-01L¹ and 16-06-02L¹**
 - 2. **Investigation Nos. 16-06-15L¹ and 16-06-16L¹**
 - 3. **Investigation No. 16-01-11L¹**
 - 4. **Investigation Nos. 16-06-07L¹ and 16-06-08L¹**
 - 5. **Investigation Nos. 16-04-22L¹ and 16-04-23L¹**

B. Mr. McAdams moved to dismiss the following investigations based on voluntary compliance. Dr. Morris seconded the motion and it passed.

1. **Investigation Nos. 16-04-13L¹ and 16-04-14L¹**
2. **Investigation Nos. 16-05-05L¹ and 16-05-06L¹**

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

D. The next committee meeting was scheduled for October 26, 2016.

VII. Mr. Duckworth, Technical Standards Review Committee Chair, reported on the August 10, 2016 committee meeting.

Members Present

Rocky L. Duckworth, CPA
Jeffrey L. Johanns, CPA
Ross T. Johnson, CPA
David L. King, CPA

Steve D. Peña, CPA
David W. Rook, CPA
Kimberly Wilkerson, Esq.

Staff Present

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

A. No action was taken.

B. The committee considered seven other investigations, which require no Board action at this time.

C. The next committee meeting was scheduled for October 12, 2016.

VIII. Mr. Hill, General Counsel, 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 the Agreed Consent Order and Proposals for Decisions:

A. Agreed Consent Order

Technical Standards Review Committee

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

- | | | | |
|-------------------------------|--|--------------------------|------------------------|
| 1. Investigation Nos.: | 15-11-06L and 15-11-07L | Hometown: | Nacogdoches, TX |
| Respondents: | Clay Dean Thomas and
Clay Thomas, P.C. (Firm) | Certificate No.: | 077520 |
| Rule Violations: | 501.90(8), 501.80, 501.81 | Firm License No.: | C04871 |
| Act Violations: | 901.502(6) | | |

Respondents entered into an ACO with the Board whereby the Board accepted Respondent's involuntary surrender of his certificate in lieu of further disciplinary action. In addition, Respondents must pay \$416.89 in administrative costs within 30 days of the date of the Board Order. The Board's disciplinary action was based upon a censure by the Public Company Accounting Oversight Board as well as revocation of the Firm's registration and being barred from being an associated person of a registered public accounting firm. Respondent firm issued audit reports on at least two public companies located within Texas while the firm license was expired: Biofuels Power Corporation of Humble and Woodgate Energy Corporation of Houston.²

B. Mass Hearings

Mr. LaFrey moved to approve the following Proposals for Decision as presented. Mr. B. 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 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
457-16-2839	16-04-10001 – 16-04-10043	May 31, 2016
457-16-3552	16-05-10001 – 16-05-10040	June 28, 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
457-16-2840	16-04-10044 – 16-04-10185	May 31, 2016
457-16-3553	16-05-10041 – 16-05-10192	June 28, 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
457-16-2841	16-04-10186 – 16-04-10190	May 31, 2016
457-16-3554	16-05-10193 – 16-05-10196	June 28, 2016

XI. Mr. Cluck moved to adopt the following Board *Rules*. Mr. Broaddus seconded the motion and it passed unanimously.

1. *Section 501.91. Reportable Events* **(ATTACHMENT 7)**
2. *Section 505.10. Board Committees* **(ATTACHMENT 8)**

XII. Mr. Baker reviewed the schedule of future Board meetings.

XIII. Mr. Baker adjourned the meeting at 11:10 a.m.

ATTEST:

J. Coalter Baker, CPA, Presiding Officer

Steve D. Peña, CPA, Secretary

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

² Mr. Duckworth, Mr. S. Peña, and Ms. Wilkerson recused themselves from participating in this matter.