

Texas State Board of Public Accountancy

July 19, 2018

The Texas State Board of Public Accountancy met from 10:05 a.m. until 11:30 a.m. on July 19, 2018 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 4:01 p.m. on July 9, 2018. (TRD #2018-006528).
(ATTACHMENT 1)

Board Members Present

Manuel Cavazos IV, Esq., CPA
Presiding Officer
Susan Fletcher
Executive Committee
Member-at-Large
Lisa A. Friel, CPA
Donna J. Hugly, CPA
Jamie D. Grant
James D. Ingram IV, CPA
Ross T. Johnson, CPA
Executive Committee
Member-at-Large
Timothy L. LaFrey, Esq., CPA
Assistant Presiding Officer
William Lawrence
Robert M. McAdams, CPA
Treasurer
Roselyn E. Morris, Ph.D., CPA
Benjamin Peña, CFE, CPA
Secretary
Debra S. Sharp
Kimberly E. Wilkerson, Esq.

Member Absent

Steve D. Peña, CPA
excused

Others Present

John Charles Cooley, CPA
Frank McElroy, Esq.
John Sharbaugh

Staff Present

Paulette Beiter, Esq.
Roel Cantu
Ismael Castillo
Ann Hallam
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
Maria Lagunas
Natalie Miller
John D. Moore, Esq.
Julie Prien
Marisa Rios
April Serrano
William Treacy
Daniel Weaver

- I. Mr. Cavazos, Presiding Officer, called the meeting to order at 10:05 a.m. Mr. Treacy called roll and declared a quorum.

Mr. B. Peña moved to excuse Mr. S. Peña's absence from the Board meeting. Ms. Fletcher seconded the motion and it passed unanimously.

Mr. Cavazos presented Maria Lagunas with a 20 year service award plaque. Mr. Treacy also reported that Maria Lagunas was favorably acknowledged in the Board's State Office of Risk Management report.

- II. Ms. Hugly moved to approve the May 17, 2018 Board meeting minutes as presented. Ms. Fletcher seconded the motion and it passed unanimously.
- III. Mr. McAdams, Ad Hoc Audit Committee Chair, reported on the July 19, 2018 committee meeting.

Members Present

Manuel Cavazos IV, Esq., CPA
Lisa A. Friel, CPA

Robert M. McAdams, CPA
Benjamin Peña, CFE, CPA

Staff Present

Alan Hermanson, CPA
William Treacy

- Mr. McAdams moved to defer consideration of the Board's internal audit plan until mid-2019. In consideration of the audit conducted by the State Auditor's Office in 2017, the Sunset Review to be completed in August 2018, and the Post Payment Audit by the Comptroller's Office scheduled to begin in September 2018, the Ad Hoc Audit Committee will reconvene to consider the risk assessment after these reviews and audits are completed. Dr. Morris seconded the motion and it passed unanimously.

IV. Mr. Cavazos, Executive Committee Chair, reported on the July 18, 2018 committee meeting.

Members Present

Manuel Cavazos IV, Esq., CPA
Susan Fletcher
Ross T. Johnson, CPA
Timothy L. LaFrey, Esq., CPA
Robert M. McAdams, CPA
Benjamin Peña, CFE, CPA

Others Present

John Charles Cooley, CPA
Frank McElroy, Esq.
John Sharbaugh

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. Dr. Morris seconded the motion and it passed unanimously.
- B. The following was presented:
 1. Mr. McAdams moved to approve the Board's FY 2019 Budget as presented. Mr. Grant seconded the motion and it passed unanimously.
 2. Mr. McAdams moved to approve the FY 2019 Scholarship Allocation in the amount of \$750,000. Mr. Ingram seconded the motion and it passed unanimously.
- C. See Agenda Item III for action taken.
- D. Mr. Treacy reported on the status of the Sunset Review.
- E. Ms. Hugly moved to approve a request for a firm to continue operating under *Section 513.16 (Death or Incapacitation of Firm Owner)*. Ms. Friel seconded the motion and it passed unanimously.
- F. The following was reported:
 1. Mr. Cavazos reported on NASBA's Western Regional Meeting held June 26-28, 2018 in Olympic Valley, CA (Lake Tahoe)
 2. NASBA dates of interest:
 - 111th Annual Meeting – October 28-31, 2018 in Scottsdale, AZ.
- G. Mr. Cavazos reported on the Board's Customer Service Report.
- H. Mr. Treacy reported on the Board's State Office of Risk Management On-site Consultation Report.
- I. Mr. B. Peña moved to approve the Board's Committee and Board meeting dates for calendar year 2019. Ms. Hugly seconded the motion and it passed unanimously.
- J. Mr. Cavazos reviewed thank you letters from the public.

V. Mr. LaFrey, Rules Committee chair, reported on the July 18, 2018 committee meeting.

Members Present

Manuel Cavazos IV, Esq., CPA
ex officio
Donna Hugly, CPA
Ross T. Johnson, CPA
Timothy L. LaFrey, Esq., CPA
William Lawrence
Benjamin Peña, CFE, CPA
Steve D. Peña, CPA

Others Present

John Charles Cooley, CPA
Susan Fletcher
Robert M. McAdams, CPA
Frank McElroy, Esq.
John Sharbaugh

Staff Present

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

- A. Mr. LaFrey reported that Board *Rule 501.76 (Records and Work Papers)* was tabled to allow for a creation of a group of committee members and staff to review the current proposed language.

- B. Mr. LaFrey moved to authorize the Executive Director to have the proposed revisions to Board *Rules 511.57 (Qualified Accounting Courses)* and *511.58 (Definition of Related Business Subjects and Ethics Courses)* published in the *Texas Register* for public comment. Mr. McAdams seconded the motion and it passed unanimously. **(ATTACHMENT 2)**
- C. Mr. LaFrey moved to authorize the Executive Director to have the proposed revisions to Board *Rule 518.5 (Unlicensed Entities)* published in the *Texas Register* for public comment. Mr. McAdams seconded the motion and it passed unanimously. **(ATTACHMENT 3)**
- D. Mr. LaFrey moved to authorize the Executive Director to have the proposed revisions to Board *Rule 519.95 (Reinstatement)* published in the *Texas Register* for public comment. Mr. McAdams seconded the motion and it passed unanimously. **(ATTACHMENT 4)**
- E. Mr. Hill reported on a letter received from the Office of the Governor regarding the process for review of new rules proposed by state agencies.
- F. Mr. LaFrey informed the Board that the committee will meet on an as needed basis.
- V. Dr. Morris, Qualifications Committee chair, reported on the June 22, 2018 committee meeting.

Members Present	Members Absent	Staff Present
Manuel Cavazos IV, Esq., CPA <i>ex officio</i>	J. Kamas, CPA	Paulette Beiter, Esq.
James C. Flagg, PhD, CPA	Robert M. McAdams, CPA	Gilbert Gutierrez
Sandra Gates, CPA	Others Present	Donna Hiller
Roselyn Morris, PhD, CPA	Jennifer Johnson, CPA	William Treacy
Benjamin Peña, CFE, CPA		
Melanie G. Thompson, CPA		

- A. Dr. Morris reported that the committee reviewed results from 25 educational institutions that responded to the data analytics survey.
- B. Dr. Morris informed the Board that the committee had reviewed results from 27 CPA firms that responded to the analytics survey, in addition to the two major Texas firms that the chair surveyed.
- C. Dr. Morris reported that the committee reviewed Board *Rule 511.57 (Qualified Accounting Courses)* and based on the survey results from both educational institutions and CPA firms, the committee recommended that the *Rule* be amended to allow up to 12 semester hours of accounting data analytics as acceptable accounting courses and further that the courses may use data analytics tools in the courses, however, the courses should not teach data analytics tools.
- D. Dr. Morris reported that the committee reviewed Board *Rule 511.58 (Definition of Related Business Subjects and Ethics Courses)* based on the survey results from both educational institutions and CPA firms, the committee recommended that the *Rule* be amended to allow business data analytics as acceptable business courses and further that the courses may use data analytics tools in the course, however the courses should not teach data analytics tools.
- E. No action was taken regarding Board *Rule 511.59 (Definition of 150 Semester Hours)*.
- F. Dr. Morris reported that the committee had reviewed correspondence from Randall Ross, CPA and Chair of NASBA's Executive Director's Committee.
- G. Dr. Morris reported that the committee considered undergraduate and graduate finance and statistics courses offered at the University of Texas at Dallas and determined that these courses are not repetitive in content and are required for the business undergraduate and graduate degrees. Therefore, students who complete FIN 3320 - Business Finance and FIN 6301 – Financial Management may use both courses in satisfying the related business requirements. Similarly, OPRE 3360 – Managerial Methods in Decision Making under Uncertainty and OPRE 6301 – Statistics and Data Analytics may both be used in satisfying the related business requirement.
- VII. Ms. Hugly, Licensing Committee chair, reported on the June 23, 2018 swearing-in ceremony.

VIII. Mr. B. Peña, Behavioral Enforcement Committee chair, reported on the following committee meetings.

April 25, 2018

Members Present

Bennett Allison, CPA
Patrick Durio, CPA
James D. Ingram IV, CPA
Karen W. Jones, CPA
Benjamin Peña, CFE, CPA
Steve D. Peña, CPA
Debra Sharp

Members Absent

Donna J. Hugly, CPA

Staff Present

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

- A. Ms. Hugly moved to dismiss **Investigation Nos. 18-01-01L¹** and **18-01-02L¹** based on voluntary compliance. Ms. Friel seconded the motion and it passed.
- B. The next committee meeting will take place on July 2, 2018 at 9:00 a.m.

July 2, 2018

Members Present

Bennett Allison, CPA
Donna J. Hugly, CPA
James D. Ingram IV, CPA
Karen W. Jones, CPA
Benjamin Peña, CFE, CPA
Steve D. Peña, CPA
Debra Sharp

Members Absent

Patrick Durio, CPA

Staff Present

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

- A. Mr. McAdams moved to dismiss the following investigations based on insufficient evidence of a violation of the *Act* or *Rules*. Dr. Morris seconded the motion and it passed.
1. **Investigation Nos. 18-03-03L²** and **18-03-04L²**
 2. **Investigation No. 18-03-14L²**
 3. **Investigation Nos. 18-02-14L²** and **18-02-15L²**
 4. **Investigation Nos. 18-04-05L²** and **18-04-06L²**
 5. **Investigation Nos. 18-02-05L²** and **18-02-06L²**
 6. **Investigation No. 18-03-09L²**
- B. Ms. Fletcher moved to dismiss **Investigation Nos. 18-03-05L²** and **18-03-06L²** based on voluntary compliance. Dr. Morris seconded the motion and it passed.
- C. The committee considered 10 other matters that do not require Board action at this time.
- D. The next committee meeting was scheduled for August 23, 2018 at 9:15 a.m.
- IX. Mr. Hill, General Counsel, reported on the status of the Enforcement Division's probation monitoring docket.
- X. 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.
- XI. The Board took the following actions on the Agreed Consent Orders and Administrative Disciplinary Actions:
- A. **Agreed Consent Orders**

Technical Standards Review Committee

Mr. Ingram moved to approve the following ACO as presented. Dr. Morris seconded the motion and it passed.

- | | | |
|---------------------------|---------------------------------|--|
| Investigation No.: | 17-07-18L | Hometown: N. Richland Hills, TX |
| Respondent Firm: | J. A. Garrison & Co. | Firm License No.: T05736 |
| Rule Violation: | 527.4 | |
| Act Violation: | 901.502(12) | |

Respondent Firm entered into an ACO with the Board whereby Respondent Firm was reprimanded and ordered to pay an administrative penalty of \$1,000 on or before 60 days from the effective date of the Board Order. Respondent Firm's license was placed on limited scope status until a petition for removal is approved by the Board. Respondent Firm is prohibited from performing audits, reviews and compilations. Respondent Firm was dropped from the Peer Review Program by the American Institute of Certified Public Accountants for failure to cooperate and not correcting peer review deficiencies after consecutive peer review corrective actions.³

Unauthorized Practice of Public Accountancy

Ms. Hugly moved to approve the following ACO as presented. Ms. Sharp seconded the motion and it passed.

- | | | |
|---------------------------|----------------------------------|---------------------------------|
| Investigation No.: | 18-05-54N | Hometown: Round Rock, TX |
| Respondent: | Tim Ferchill | |
| Act Violations: | 901.451, 901.452, 901.453 | |

Respondent entered into an ACO with the Board whereby Respondent agreed to cease from engaging in the practice of public accountancy including, but not limited to, the use of the terms "CPA," "accountant," "auditor," "accounting services," and "auditing services." This also includes the performance or offer to perform attest services. Respondent's individual license was administratively revoked for non-payment of fees. Respondent offered services to the public that involve the use of accounting skills without an individual license or firm license issued by the Board.

B. Administrative Disciplinary Actions

Ms. Fletcher moved to approve the following Disciplinary Actions as presented. Mr. McAdams seconded the motion and it passed unanimously.

- 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. Respondents, although properly notified of the proposed disciplinary action and their right to a hearing on the matter, failed to request a hearing. Staff recommends 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 late fees and by otherwise coming into compliance with the *Act*. Respondents violated *Act Section 901.502(4) (failure to pay license fees for three consecutive years)*. (ATTACHMENT 5)

Investigation Numbers

18-02-10001 – 18-02-10013
18-03-10001 – 18-03-10043

- Respondents: In the Matter of Disciplinary Action Against Certain License Holders for CPE Delinquencies**

The Respondents, although provided with a preliminary report dated November 15, 2016 and having been notified of the proposed disciplinary action and their right to a hearing on the matter, failed to request a hearing. Staff recommends 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, staff recommends a \$100 penalty be imposed for each year a Respondent is not in compliance with the Board's CPE requirements. Respondents violated Board *Rules 501.94 (Mandatory CPE)* and *523.111 (Required CPE Reporting)*, and *Act Section 901.411*. (ATTACHMENT 6)

Investigation Numbers

18-02-10014 – 18-02-10177
18-03-10044 – 18-03-10207

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 Board *Rule 515.3 (License Renewals for Individuals and Firm Offices)*. Respondents, although properly notified of the proposed disciplinary action and their right to a hearing on the matter, failed to request a hearing. Staff recommends 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*. Respondents violated *Act Section 901.502(12) (Violations of Board Rules)*. **(ATTACHMENT 7)**

Investigation Numbers

18-02-10210 – 18-02-10246

18-03-10208 – 18-03-10221

XII. Mr. B. Peña moved to adopt the following Board *Rule*. Ms. Wilkerson seconded the motion and it passed unanimously.

- *Section 501.83 (Firm Names)* **(ATTACHMENT 8)**

XIII. Mr. Cavazos reviewed the schedule of future Board meetings.

XIV. Mr. Cavazos adjourned the meeting at 11:30 a.m.

ATTEST:

Manuel Cavazos IV, Esq., CPA, Presiding Officer

Benjamin Peña, CFE, CPA, Secretary

¹ Mr. Ingram, Mr. B. Peña, and Ms. Sharp recused themselves from participating in this matter.

² Ms. Hugly, Mr. Ingram, Mr. B. Peña, and Ms. Sharp recused themselves from participating in this matter.

³ Mr. Johnson, Ms. Friel, and Mr. Grant recused themselves from participating in this matter.