

Texas State Board of Public Accountancy

September 20, 2018

The Texas State Board of Public Accountancy met from 10:00 a.m. until 11:10 a.m. on September 20, 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 2:48 p.m. on September 11, 2018. (TRD #2018-007893).
(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
Roselyn E. Morris, Ph.D., CPA
Benjamin Peña, CFE, CPA
Secretary
Debra S. Sharp
Kimberly E. Wilkerson, Esq.

Member Absent

Robert M. McAdams, CPA
Treasurer
excused

Steve D. Peña, CPA
excused

Others Present

Gayle Botley, CPA
Skip Braziel, Esq.
Hope Everett, Esq.
Frank McElroy, Esq.
Mary Alice Boehm-McKaughan,
Esq.
Sean McVey
Linda Messing
Mark Vane, Esq.

Staff Present

Paulette Beiter, Esq.
Roel Cantu
Ismael Castillo
Rhonda Fellner
Ann Hallam
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
John D. Moore, Esq.
Julie Prien
Marisa Rios
April Serrano
Gil Fernando Sosa Riego
William Treacy
Daniel Weaver

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

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

At this time, Alan Hermanson, CPA, CFO and Director of Administrative Services, introduced new employee Gil Fernando Sosa Riego, who will be working in the accounting department.

- II. Dr. Morris moved to approve the July 19, 2018 Board meeting minutes as presented. Ms. Friel seconded the motion and it passed unanimously.

- III. Mr. Cavazos, Executive Committee Chair, reported on the September 19, 2018 committee meeting.

Members Present

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

Member Absent

Robert M. McAdams, CPA

Others Present

John Sharbaugh

Staff Present

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

- A. Mr. B. Peña moved to approve the Board's financial statements as presented. Ms. Fletcher seconded the motion and it passed unanimously.

B. Fiscal matters:

- Mr. B. Peña moved to approve the Board's FY 2019 Fee Schedule as presented. Mr. Ingram seconded the motion and it passed unanimously.

C. Mr. Cavazos and Mr. Treacy updated the Board on the status of the Sunset Review process.

D. The following was reported:

1. NASBA dates of interest:

- 111th Annual Meeting – October 28-31, 2018 in Scottsdale, AZ.
- Mr. LaFrey moved to designate Mr. Cavazos as the Board's voting delegate at NASBA's 111th Annual Meeting in Scottsdale, AZ on October 28-31, 2018. Mr. B. Peña seconded the motion and it passed unanimously.

E. Mr. B. Peña moved to approve the following FY 2019 professional service contracts, Peer Assistance (ACAN) Grant, and FY 2018 contract amendments as presented. Ms. Hugly seconded the motion and it passed unanimously.

FY 2019 contracts

Technical Standards Review and Behavioral Enforcement

Committee consultants:

1. Strasburger & Price, LLP	9/1/18 – 8/31/19	\$15,000
2. Cook Brooks Johnson	9/1/18 – 8/31/19	\$5,000
3. Belen Briones, CPA	9/1/18 – 8/31/19	\$20,000

Peer Review Committee consultants:

1. John Mason Andres, CPA	9/1/18 – 8/31/19	\$22,700
2. John Michael Waters, CPA	9/1/18 – 8/31/19	\$18,600
3. Rebecca J. Teague, CPA	9/1/18 – 8/31/19	\$16,500

Office of the Attorney General:	9/1/18 – 8/31/19	\$20,000
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State Office of Administrative Hearings:

9/1/18 – 8/31/19	\$16,960
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Internal Audit	9/1/18 – 8/31/19	\$25,000
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Sponsor Review Program consultants – each contract not to exceed \$3,500:

Master Reviewers:

Ron Huntsman	9/1/18 - 8/31/19	\$150.00/hour
Mitch Sutherland	9/1/18 - 8/31/19	\$150.00/hour

Reviewers:

David Crumbaugh	9/1/18 - 8/31/19	\$125.00/hour
John Jones	9/1/18 - 8/31/19	\$125.00/hour
Connie Kelly	9/1/18 - 8/31/19	\$125.00/hour
Tim Madrigal	9/1/18 - 8/31/19	\$125.00/hour
Timothy Prebe	9/1/18 - 8/31/19	\$125.00/hour
Alva Winston	9/1/18 - 8/31/19	\$125.00/hour
Steve Wright	9/1/18 - 8/31/19	\$125.00/hour

FY 2019 Grant:

Peer Assistance (ACAN) Grant	9/1/18 – 8/31/19	\$107,500
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FY 2018 amendments*:

1. Harper & Pearson, Co., PC 9/1/17 – 11/30/18 \$45,000
(Increase contract by \$45,000 from \$175,000 to \$220,000 and increase term of contract until November 30, 2018)
2. Mary Alice Boehm-McKaughan 9/1/17 – 11/30/18 \$66,000
(Increase contract by \$66,000 from \$200,000 to \$266,000 and increase term of contract until November 30, 2018)
3. Dubois Bryant & Campbell 9/1/17 – 11/30/18 \$50,000
(Increase contract by \$50,000 from \$150,000 to \$200,000 and increase term of contract until November 30, 2018)
4. Belen Briones, CPA 9/1/17 – 8/31/18 \$3,388.02
(Increase contract by \$3,388.02 from \$42,000 to \$45,388.02 – No increase in term of contract)
5. John Michael Waters, CPA 9/1/17 – 8/31/18 \$120.00
(Increase the fee amount of contract by \$120.00 from \$17,500 to \$17,620 – No increase in term of contract)

*Please Note:

At the November Board Meeting, the staff anticipates presenting to the Board contracts for its consideration in response to three Request for Qualifications (RFQ). The RFS are for the services of attorney(s) to represent the Board before State Office of Administrative Hearings (SOAH) and consultant/expert witness(s) to assist the enforcement committees in complaint investigations and in proceeding before SOAH. If the solicitations are responsive, there will be a new contract for FY 2019, which will replace the above FY 2018 contract amendments you will be considering at this meeting.

F. Mr. Cavazos reviewed thank you letters from the public.

IV. Mr. LaFrey, Rules Committee chair, reported on the September 19, 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

Susan Fletcher
Sean McVey
John Sharbaugh

Staff Present

Paulette Beiter, Esq.
Ann Hallam
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
Kyle McGaw
Marisa Rios
William Treacy
Daniel Weaver

- A. Mr. LaFrey moved to authorize the Executive Director to have the proposed revisions to Board *Rule 501.76 (Records and Work Papers)* published in the *Texas Register* for public comment. Ms. Fletcher seconded the motion and it passed unanimously. **(ATTACHMENT 2)**
- B. Mr. LaFrey moved to authorize the Executive Director to have the proposed revisions to Board *Rule 505.9 (Order of Business)* published in the *Texas Register* for public comment. Ms. Fletcher seconded the motion and it passed unanimously. **(ATTACHMENT 3)**
- C. Mr. LaFrey moved to authorize the Executive Director to have the proposed revisions to Board *Rules 515.3 (License Renewals for Individuals and Firm Offices)*, *515.5 (Reinstatement of a Certificate or License in the Absence of a Violation of the Board's Rules of Professional Conduct)*, *515.11 (Licensing for Military Service Members, Military Veterans, and Military Spouses)*, *521.3 (Fee for Certification by Reciprocity)*, *521.7 (Fee for Transfer of Credits)*, *521.9 (Certificate Fee)*, *521.12 (Filing Fee)*, *521.14 (Eligibility Fee)*, and *523.113 (Exemptions from CPE)* published in the *Texas Register* for public comment. Ms. Fletcher seconded the motion and it passed unanimously. **(ATTACHMENT 4)**
- D. The next committee meeting was scheduled for November 14, 2018 at 1:30 p.m.

- V. Ms. Hugly, Continuing Professional Education Committee chair, reported on the following:
- Ms. Hugly moved to approve a contract and course materials submitted by Kathryn Kapka, CPA, entitled *Ethics for Texas CPAs*. Mr. B. Peña seconded the motion and it passed unanimously.
- VI. Mr. B. Peña, Behavioral Enforcement Committee chair, reported on the following committee meetings.

June 28, 2017

Members Present

John R. Broadbuss, CPA
Donna J. Hugly, CPA
James D. Ingram IV, CPA
Karen Jones, CPA
Timothy L. LaFrey, Esq., CPA
Benjamin Peña, CFE, CPA

Members Absent

Jonathan B. Cluck, Esq.
Donald W. Harcum, CPA

Staff Present

Paulette Beiter, Esq.

- Ms. Fletcher moved to dismiss **Investigation No. 17-01-26L¹** based on voluntary compliance. Mr. Lawrence seconded the motion and it passed.

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. Ms. Fletcher moved to dismiss **Investigation Nos. 18-02-07L²** and **18-02-08L²** based on voluntary compliance. Ms. Friel seconded the motion and it passed.
- B. The next committee meeting will take place on August 23, 2018 at 9:15 a.m.

August 23, 2018

Members Present

Bennett Allison, CPA
Patrick Durio, CPA
Donna J. Hugly, CPA
James D. Ingram IV, CPA

Karen W. Jones, CPA
Benjamin Peña, CFE, CPA
Steve D. Peña, CPA
Debra Sharp

Staff Present

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

- A. Dr. Morris moved to dismiss the following investigations based on insufficient evidence of a violation of the *Act* or *Rules*. Mr. Grant seconded the motion and it passed.
- Investigation Nos. 18-06-18L²** and **18-06-19L²**
 - Investigation Nos. 18-06-03L²** and **18-06-04L²**
 - Investigation Nos. 18-06-08L²** and **18-06-09L²**
 - Investigation Nos. 18-06-16L²** and **18-06-17L²**
- B. The committee considered nine other matters that do not require Board action at this time.
- C. The next committee meeting was scheduled for October 18, 2018 at 9:15 a.m.

- VII. Mr. Johnson, Technical Standards Review Committee chair, reported on the following committee meeting.

July 19, 2018

Members Present

Lisa A. Friel, CPA
Pete M. Gonzales, CPA
Jamie D. Grant

Jeffrey L. Johanns, CPA
Ross Johnson, CPA
Robert M. McAdams, CPA
Dilliana Stewart, CPA

Staff Present

J. Randel Hill, Esq.
John Moore, Esq.
William Treacy

- A. Ms. Hugly moved to dismiss the following investigations based on insufficient evidence of a violation of the *Act* or Board's *Rules*. Mr. B. Peña seconded the motion and it passed.
1. **Investigation Nos. 16-11-15L³, 16-11-16L³, and 17-04-01L³**
 2. **Investigation Nos. 17-05-04L³ and 17-05-05L³**
 3. **Investigation Nos. 17-03-06L³, 17-03-07L³, and 18-02-09L³**
 4. **Investigation Nos. 17-08-07L³ and 17-08-08L³**
 5. **Investigation Nos. 18-02-02L³ and 18-02-03L³**
- B. Ms. Hugly moved to grant a waiver request to lift **Investigation No. 17-04-01A³** from limitation of scope. Ms. Sharp seconded the motion and it passed unanimously.
- C. Mr. B. Peña moved to approve the Petitions for Reinstatement to lift the limitation of scope in the following investigations. Ms. Hugly seconded the motion and it passed.
1. **Investigation No. 10-02-07L³**
 2. **Investigation Nos. 15-09-07L³ and 15-09-08L³**
 3. **Investigation Nos. 16-03-13L³ and 16-03-14L³**
 4. **Investigation Nos. 12-07-13L³ and 12-04-14L³**
- D. The committee considered seven other investigations that do not require Board action at this time.
- E. The next committee meeting was scheduled for September 20, 2018 at noon.

- 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 Orders, Administrative Disciplinary Actions, and Proposals for Decision:

A. Agreed Consent Orders

Behavioral Enforcement Committee

- | | | | |
|------------------------------|------------------------------------|-------------------------|-----------------------|
| 1. Investigation No.: | 18-03-13L | Hometown: | Scottsdale, AZ |
| Respondent: | James Erwin Carmichael, CPA | Certificate No.: | 017865 |
| Rule Violation: | 501.90(6) | | |
| Act Violations: | 901.502(6), 901.502(8) | | |

Respondent entered into an ACO with the Board whereby Respondent involuntarily surrendered his certificate in lieu of further disciplinary proceedings. The Board's discipline resulted from the Respondent having relinquished his certificate in Arizona in lieu of formal disciplinary proceedings arising from allegations of preparing and filing false tax returns, planning to defraud the IRS and diverting funds from an employer.

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| 2. | Investigation Nos.:
Respondents:

Rule Violation:
Act Violations: | 17-08-04L & 17-08-05L
David A. Schroeder &
D.A. Schroeder CPA PLLC
501.90(4)
901.502(6), 901.502(10), 901.502(11) | Hometown:
Certificate No.:
Firm License No.: | Houston, TX
091426
C09717 |
|----|---|--|---|--|

Respondents entered into an ACO with the Board whereby Respondents were suspended for two years. Upon the end of the suspension period, Respondents' certificate and license will be revoked; however, the revocation will be stayed, and Respondents will be on probation for eight years under certain conditions. Respondent received deferred adjudication and a 10-year probation for the felony offense of manufacturing or delivering a controlled substance.⁴

Technical Standards Review Committee

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

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|----|---|---|--|---------------------------------------|
| 1. | Investigation No.:
Respondent:
Rule Violation: | 17-10-08L
Weaver and Tidwell, L.L.P.
501.60(3) | Hometown:
Firm License No.: | Ft. Worth, TX
P04338 |
|----|---|---|--|---------------------------------------|

Respondent entered into an ACO with the Board whereby Respondent was reprimanded, ordered to pay an administrative penalty of \$22,500 and administrative costs of \$171.20 within 30 days of the date of the Board Order. Respondent was censured by the *Public Company Accounting Oversight Board (PCAOB)* for failing to comply with PCAOB Auditing Standard No. 7, Engagement Quality Review. Two partners of Respondent firm served as engagement quality reviewers on two audits immediately after serving as the engagement partner on audits, without satisfying the mandatory two year "cooling-off" period for former engagement partners.⁵

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| 2. | Investigation Nos.:
Respondents:

Rule Violation:
Act Violations: | 17-01-06L & 17-01-07L
Gerald D. Nelson &
Gerald D. Nelson, P.C.
501.60
901.502(6), 901.502(12) | Hometown:
Certificate No.:
Firm License No.: | Cranfills Gap, TX
010479
C02100 |
|----|---|---|---|--|

Respondents entered into an ACO with the Board whereby Respondents were reprimanded, ordered to pay administrative costs of \$13,644.33, and Respondents' certificate and firm license were placed on limited scope status until a petition for removal is approved. Respondents are prohibited from performing audits, reviews and compilations and other engagements required by the Board to be performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States, or OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* without a pre-issuance review by a pre-issuance reviewer approved by the Chair of the TSR Committee. Respondent Firm issued an audit report for a school district in which the Texas Education Agency determined that Respondent and Respondent Firm failed to test the work of the CPA firm retained by the school district to assist it in preparing for the audit and that the Respondent and Respondent Firm did not perform any entity level transaction tests as required by auditing standards.³

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| 3. | Investigation No.:
Respondent:

Rule Violation:
Act Violations: | 18-03-16L
Dianne D. Washington,
CPA
501.81
901.461, 901.502(6), 901.502(12) | Hometown:
Certificate No.: | Matador, TX
055988 |
|----|---|--|---|-------------------------------------|

Respondent entered into an ACO with the Board whereby Respondent was revoked. In addition, Respondent must pay administrative penalties of \$10,000 and \$382.40 in administrative costs. Respondent issued 18 compilations and audits without a firm license.³

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| 4. | Investigation No.:
Respondent:
Rule Violation:
Act Violations: | 11-08-22L
Albert J. Rincon
501.90(9)
901.502(6), 901.502(11) | Hometown:
Certificate No.: | The Woodlands, TX
068129 |
|----|---|---|---|---|

Respondent entered into an ACO with the Board whereby Respondent was suspended for a period of two years. In addition, Respondent must pay administrative penalties of \$10,000. Respondent worked as the Chief Financial Officer at Stanford Group Company ("SGC") where he participated in the preparation of financial statements for SGC, an affiliate of Stanford International Bank. In 2009, SGC and related entities were placed into receivership at the request of the United States Securities and Exchange Commission (SEC). Respondent signed financial statements that were submitted to the SEC that were false and misleading.⁶

Unauthorized Practice of Public Accountancy

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

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|---------------------------|----------------------------------|------------------|---------------------|
| Investigation No.: | 18-02-68N | Hometown: | Pearland, TX |
| Respondent: | Tia Williams | | |
| 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 used the term CPA on her resumes and referred employment recruiters to the Board's website with the intent to cause the recruiters to believe she is the individual holding a license issued by this agency. Respondent has never held a license issued by this agency.

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|---------------------------|--|------------------|--------------------|
| Investigation No.: | 17-11-14N | Hometown: | Tomball, TX |
| Respondents: | Parker Accounting & Income Tax and Debra Parker | | |
| Act Violations: | 901.451, 901.452, 901.453 | | |

Respondents entered into an ACO with the Board whereby Respondents agreed to cease from engaging in the practice of public accountancy including, but not limited to, the use of the terms "accountant," "accounting," "audit," and "accounting services." Although Respondents have never held a license issued by this agency, Respondents were using terms restricted by the *Act* on web-based profiles, marketing websites and storefront signage as well as, asserting an expertise in accounting and auditing.

B. Administrative Disciplinary Actions

Dr. Morris moved to approve the following Disciplinary Actions as presented. Ms. Wilkerson 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

18-04-10001 – 18-04-10044
18-05-10001 – 18-05-10036

- 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

18-04-10045 – 18-04-10194
18-05-10037 – 18-05-10198

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

18-04-10195 – 18-04-10208
18-05-10199 – 18-05-10213

C. **Proposals for Decision**

Mr. B. Peña moved to approve the following Proposal for Decision as presented. Ms. Fletcher seconded the motion and it passed.

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|-------------------------------|--|---|
| 1. Investigation Nos.: | 16-04-15L & 16-04-16L | Hometown: McKinney & Plano, TX |
| SOAH Docket No.: | 457-17-1669 | Certificate No.: 088101 |
| Respondents: | Mahesh K. Thakkar & Thakkar CPA, PLLC (Firm) | Firm License No.: C08547 |
| Rule Violations: | 501.60, 501.70, 501.74, 501.83, 501.90(7), 501.93 and 527.4 | |

The Board found that Respondents violated Board *Rules 501.60, 501.70, 501.74, 501.83, 501.90(7), 501.93 and 527.4*. Respondents individual and firm certificates were revoked and were assessed a \$60,000 administrative penalty and direct administrative costs of \$3,785.67. Respondent was the Founding Partner and sole shareholder of Thakkar CPA, PLLC d/b/a The Hall Group CPAs. The Board found that between January 6, 2014 and January 29, 2015, Thakkar CPA issued 15 audit reports for public companies that 14 of the public companies ("issuers") included in filings with the SEC. Additionally, Thakkar CPA conducted 30 reviews of interim financial information included in Forms 10-Q that 11 issuers filed with the SEC. The SEC alleged that Respondents knew, or were at least reckless in not knowing, that Thakkar CPA was not licensed in Texas to practice public accountancy as The Hall Group CPAs and was not registered with the PCAOB. Mary Alice Boehm-McKaughan represented the staff of the Board in the SOAH proceeding. Jeffrey Wagnon represented the Respondents.⁷

The following was presented:

1. Mr. B. Peña moved to deny Respondent Gayle W. Botley's request for oral arguments before the Board. Ms. Fletcher seconded the motion and it passed.
2. Mr. B. Peña moved to approve the following Proposal for Decision as presented. Ms. Fletcher seconded the motion and it passed.

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|------------------------------|--|---------------------------------|
| • Investigation Nos.: | 14-03-10L & 14-03-11L | Hometown: Beaumont, TX |
| SOAH Docket No.: | 457-15-5337 | Certificate No.: 053971 |
| Respondents: | Gayle W. Botley & Gayle W. Botley, CPA (Firm) | Firm License No.: T04869 |
| Rule Violations: | 501.60, 501.74(b), and 501.74(d) | |

The ALJ found that Mr. Botley violated Board *Rules 501.60 and 501.74* and recommended a two-year probated suspension, a \$25,000 administrative penalty, and \$66,890.68 in administrative costs. Respondents performed the audits of the Beaumont Independent School District (BISD) for the Fiscal Years Ending 2010, 2011, and 2012, during which time, the Director of BISD and the district's Comptroller embezzled at least \$4,000,000. The ALJ found that Respondents: (1) failed to perform and issue the BISD audits of BISD's financial statements in compliance with AU sections 314 and 316 by failing to adequately document and test internal controls of journal entries and wire transfers for the 2010, 2011, and 2012 BISD audits; (2) failed to exercise due professional care in the testing of internal controls over journal entries and wire transfers; and (3) failed to maintain appropriate documentation of their testing on internal controls to afford a reasonable basis for their conclusions. The Board adopted an order approving the Proposal For Decision issued by the ALJ.³

XI. Dr. Morris moved to adopt the following Board *Rules*. Mr. B. Peña seconded the motion and it passed unanimously.

1. *Section 511.57 (Qualified Accounting Courses) (ATTACHMENT 8)*
2. *Section 511.58 (Definition of Related Business Subjects and Ethics Courses) (ATTACHMENT 9)*
3. *Section 518.5 (Unlicensed Entities) (ATTACHMENT 10)*
4. *Section 519.95 (Reinstatement) (ATTACHMENT 11)*

XII. There were no comments from the public.

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

XIV. Mr. Cavazos adjourned the meeting at 11:10 a.m.

ATTEST:

Manuel Cavazos IV, Esq., CPA, Presiding Officer

Benjamin Peña, CFE, CPA, Secretary

¹ Ms. Hugly, Mr. Ingram, Mr. LaFrey, and Mr. B. Peña 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.

⁴ Mr. Cavazos, Ms. Hugly, Mr. Ingram, Mr. B. Peña, and Ms. Sharp recused themselves from participating in this matter.

⁵ Mr. Cavazos, Mr. Johnson, Ms. Friel, and Mr. Grant recused themselves from participating in this matter.

⁶ Mr. Johnson recused himself from participating in this matter.

⁷ Mr. Johnson and Ms. Wilkerson recused themselves from participating in this matter.