

Texas State Board of Public Accountancy

March 21, 2019

The Texas State Board of Public Accountancy met from 10:00 a.m. until 11:37 a.m. on March 21, 2019 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 1:54 p.m. on March 13, 2019 (TRD #2019-001500).

(ATTACHMENT 1)

Board Members Present

Manuel Cavazos IV, Esq., CPA
Presiding Officer
Susan Fletcher
Executive Committee
Member-at-Large
Lisa A. Friel, CPA
Jamie D. Grant
Donna J. Hugly, CPA
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.

Members Absent

Steve D. Peña, CPA
excused

Others Present

Hope Everett, Esq.
Frank McElroy, Esq.
John Sharbaugh

Staff Present

Bryce Beasley
Paulette Beiter, Esq.
Roel Cantu
J. Franco
Ann Hallam, PMP
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
Alexis Holliday
John Moore, Esq.
Julie Prien
Marisa Rios
April Serrano
William Treacy
Cherylyn Turner
Daniel Weaver
Maggie Williams

- 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. S. Peña's absence from the Board meeting. Ms. Friel seconded the motion and it passed unanimously.

- II. Mr. B. Peña moved to approve the January 24, 2019 Board meeting minutes as presented. Dr. Morris seconded the motion and it passed unanimously.

- III. After a call for public comments, there were no comments from the public.

- IV. Mr. Cavazos, Executive Committee Chair, reported on the March 20th, 2019 committee meeting.

Members Present

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

Others Present

William Lawrence
John Sharbaugh

Staff Present

Ann Hallam, PMP
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. Ingram seconded the motion and it passed unanimously.

- B. Mr. Treacy reported on Items of Interest from the 86th Legislative Session (2019) including House Bill 1520, relating to the continuation and functions of the Board, which includes a requirement for fingerprinting of all licensees, and other bills of interest.
- C. Mr. McAdams reported on the Budget Plan for FY 2020.
- D. Mr. Treacy reported on NASBA/AICPA matters:
 - 1. NASBA dates of interest:
 - a) Western Regional Meeting – June 18-20, 2019 – Salt Lake City, UT.
 - b) 112th Annual Meeting – October 27-30, 2019 – Boston, MA.
 - 2. NASBA's 37th Annual Executive Directors Conference and 24th Annual Conference for Board of Accountancy Legal Counsel – March 26-28, 2019 in San Antonio, TX.
 - 3. Mr. Treacy reported on nomination letters for J. Coalter Baker, CPA and A. Carlos Barrera, CPA, CFE for NASBA's vice-chair nomination. Mr. McAdams moved that the Board submit nomination letters for Mr. Baker and Mr. Barrera to NASBA. Ms. Hugly seconded the motion and it passed unanimously.
- E. Mr. Cavazos reviewed general correspondence and thank you letters from the public. Mr. Hill reported on the Governor's letter regarding the Open Meetings Act.
- F. Mr. Cavazos discussed the upcoming annual evaluation of the Executive Director.
- V. Mr. LaFrey, Rules Committee Chair, reported on the March 20, 2019 committee meeting.

March 20, 2019

Members Present

Timothy LaFrey, Esq., CPA
Manuel Cavazos IV, Esq., CPA
Ex Officio
Donna Hugly, CPA
Ross Johnson, CPA
William Lawrence
Benjamin Peña, CFE, CPA

Member Absent

Steve Peña, CPA

Others Present
Robert McAdams, CPA
Susan Fletcher
Hope Everett, Esq.
Gary McIntosh, CPA
John Sharbaugh

Staff Present

Paulette Beiter, Esq.
Ann Hallam, PMP
Alan Hermanson, CPA
J. Randel Hill, Esq.
Donna Hiller
John Moore, Esq.
Marisa Rios
William Treacy
Dan Weaver

- A. Mr. LaFrey moved that the Board authorize the Executive Director to have the proposed revisions to Board Rule 501.82 (*Advertising*) as reflected in these minutes published in the *Texas Register* for public comment. Mr. Grant seconded the motion and it passed unanimously. (**ATTACHMENT 2**)
- B. Mr. LaFrey moved that the Board authorize the Executive Director to have the proposed revisions to Board Rule 501.91 (*Reportable Events*) as reflected in these minutes published in the *Texas Register* for public comment. Mr. Grant seconded the motion and it passed unanimously. (**ATTACHMENT 3**)
- C. Mr. LaFrey moved that the Board authorize the Executive Director to have the proposed revisions to Board Rule 519.29 (*Voluntary Surrender of Certificate*) as reflected in these minutes published in the *Texas Register* for public comment. Mr. Grant seconded the motion and it passed unanimously. (**ATTACHMENT 4**)
- D. Mr. LaFrey moved that the Board authorize the Executive Director to have the proposed revisions to Board Rules 511.22 (*Initial Filing of the Application of Intent*), 511.72 (*Uniform Examination*), and 511.102 (*CPA Examination Availability*) as reflected in these minutes published in the *Texas Register* for public comment. Mr. Grant seconded the motion and it passed unanimously. (**ATTACHMENT 5**)

- E. Mr. LaFrey moved that the Board authorize the Executive Director to have the proposed revisions to Board Rules 519.2 (*Definitions*), 519.72 (*Final Decisions and Orders*), and 519.91 (*Judicial Review*) as reflected in these minutes published in the *Texas Register* for public comment. Mr. Grant seconded the motion and it passed unanimously. (**ATTACHMENT 6**)
- F. Mr. LaFrey moved that the Board authorize the Executive Director to have the proposed revisions to Board Rule 523.112 (*Required CPE Participation*) as reflected in these minutes published in the *Texas Register* for public comment. Mr. Grant seconded the motion and it passed unanimously. (**ATTACHMENT 7**)
- G. The next committee meeting is to be determined.

VI. Ms. Hugly, Peer Review Committee member, reported on the March 20, 2019 committee meeting.

March 20, 2019

Members Present	Members Absent	Staff Present
Steve Peña, CPA Larry Anderson, CPA Manuel Cavazos IV, Esq., CPA Jerry Cross, CPA Donna Hugly, CPA Laura Lambert, CPA Robert McAdams, CPA Benjamin Peña, CFE, CPA	J. Mason Andres III, CPA Glenniece Stewart, CPA Mike Waters, CPA Others Present John Sharbaugh	Tiffney Duncan J. Randel Hill, Esq. John Moore, Esq. William Treacy Daniel Weaver
A. Ms. Hugly reported on the organizational overview and updated the Board on peer review operations which require no Board actions at this time.		
B. Ms. Hugly reported on a proposed revision to the Model Rules relating to Peer Review and whether the Board should provide comments to NASBA on the recommended revisions. The committee accepted on a motion by Mr. Anderson and seconded by Mr. B. Peña to respond with a letter of support to NASBA under the signature of Mr. Cavazos and Mr. S. Peña. Ms. Hugly moved that the letter of support be issued. Mr. McAdams seconded the motion and it passed.		
C. Ms. Hugly reported on the discussion, consideration and possible action to respond to the AICPA on pending revisions to the AICPA Peer Review Oversight Handbook and no action by the Board is required at this time.		
D. Ms. Hugly moved for agreement with the Peer Review Oversight Board's (PROB) recommendation to continue with the Texas Society of CPAs as an approved peer review sponsoring organization. Mr. B. Peña seconded the motion and it passed.		
E. Ms. Hugly reported the current vacancy of one PROB member and considered three possible replacement candidates. No action was taken on this agenda item.		
F. The date of the next committee meeting will be called as needed by the committee chair. The committee adjourned at 11:15 AM.		

VII. Mr. B. Peña, Behavioral Enforcement Committee Chair, reported on the following committee meeting:

February 7, 2019

Members Present	Member Absent	Staff Present
Benjamin Peña, CFE, CPA Donna J. Hugly, CPA James D. Ingram, IV, CPA Debra Sharp Bennett Alison, CPA	Steve Peña, CPA	Paulette Beiter, Esq. J. Randel Hill, Esq.

Patrick Durio, CPA
Karen Jones, CPA

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

1. Investigation Nos. 19-01-10L & 18-07-01L¹
2. Investigation Nos. 18-11-03L & 18-11-04L¹
3. Investigation Nos. 18-09-02L & 18-09-03L¹
4. Investigation Nos. 18-07-06L & 18-07-07L¹
5. Investigation Nos. 18-11-11L & 18-11-12L¹
6. Investigation Nos. 18-10-09L & 18-10-10L¹
7. Investigation Nos. 18-10-11L & 18-10-12L¹
8. Investigation Nos. 18-11-01L & 18-11-02L¹
9. Investigation Nos. 18-07-08L & 18-07-09L¹

- B. Other – The committee considered five other matters during its meeting; however, these matters do not require Board action at this time.

- C. The next committee meeting was scheduled for April 23, 2019 at 9:15 a.m.

- VIII. Mr. Johnson, Technical Standards Review Committee Chair, reported on the following committee meeting:

January 24, 2019

Members Present

Ross Johnson, CPA
Lisa A. Friel, CPA
Pete M. Gonzales, CPA
Jamie D. Grant
Jeffrey L. Johanns, CPA
Robert M. McAdams, CPA
Dilliana Stewart, CPA

Staff Present

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

- A. Ms. Fletcher moved to dismiss the following investigations based upon insufficient evidence of a violation of the *Act* or the *Rules*. Ms. Hugly seconded the motion and it passed.

1. Investigation Nos. 18-07-02L & 18-07-03L²
2. Investigation Nos. 15-07-08L, 15-07-09L, 15-07-10L, 15-07-11L, 15-07-12L & 15-07-13L²

- B. Other – The committee considered four other matters during its meeting; however, these matters do not require Board action at this time.

- C. The next committee meeting was scheduled for May 16, 2019 at 11:30 a.m.

- IX. Mr. Weaver, Board staff, reported on the status of the Unauthorized Practice of Public Accountancy Division.

- X. Mr. Hill, General Counsel, reported on the status of the Enforcement Division's probation monitoring program.

- XI. The Board took the following actions on Agreed Consent Orders, Administrative Disciplinary Actions, and Proposed Default Judgment Board Orders:

A. Agreed Consent Orders

Behavioral Enforcement Committee (BEC)

Ms. Sharp moved to approve the following ACOs as presented. Dr. Morris seconded the motion and it passed.

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| 1. Investigation No.: | 19-01-09L | Hometown: San Antonio, Texas |
| Respondent: | Kyle Lynn Cole | Certificate No.: 079806 |
| Rule Violation: | 501.90(4) | |
| Act Violations: | 901.502(6), 901.502(10), 901.502(11) | |

Respondent entered into an ACO with the Board whereby Respondent's certificate was revoked. Respondent pleaded no contest to the second degree felony of misapplication of fiduciary property of a value between \$100,000 and \$200,000.

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| 2. Investigation Nos.: | 18-02-04L | Hometown: Spring, Texas |
| Respondents: | Victor Martin Runge | Certificate No.: 058727 |
| Rule Violation: | 501.90(4) | |
| Act Violations: | 901.502(6), 901.502(10), 901.502(11) | |

Respondent entered into an ACO with the Board whereby Respondent's certificate was revoked. Respondent was convicted of improper photography, a State Jail Felony.

Technical Standards Review Committee

Mr. Ingram moved to approve the following ACOs as presented. Ms. Fletcher seconded the motion and it passed.

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| 1. Investigation Nos.: | 18-10-02L & 18-10-03L | Hometown: Tyler, Texas |
| Respondents: | Leonard Hillman Acker & Acker & Company, CPAs | Certificate No.: 014919 |
| Rule Violation: | 501.60 | Firm License No.: C06820 |
| Act Violations: | 901.502(6), 901.502(11) | |

Respondents entered into an ACO with the Board whereby Respondents' certificate and firm license were placed on limited scope status for a period of one year from the date of the Board Order or until a petition for removal is approved by the Board, whichever is earlier. Respondents are prohibited from performing audits without a pre-issuance review by a pre-issuance reviewer approved by the Chair of the TSR Committee. Respondent Firm issued audit reports for a community college where Respondent and Respondent Firm failed to meet Generally Accepted Auditing Standards or Governmental Auditing Standards.³

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| 2. Investigation Nos.: | 18-08-05L & 18-08-06L | Hometown: Fort Worth, Texas |
| Respondents: | Mark Louis Walton & M.L. Walton Group, LLC | Certificate No.: 033273 |
| Rule Violation: | 501.60 | Firm License No.: C05179 |
| Act Violations: | 901.502(6), 901.502(12) | |

Respondents entered into an ACO with the Board whereby Respondents' certificate and firm license were placed on limited scope status for a period of one year from the date of the Board Order or until a petition for removal is approved by the Board, whichever is earlier. Respondents are prohibited from performing audits for employee benefit plans without a pre-issuance review by a pre-issuance reviewer approved by the Chair of the TSR Committee. Respondent Firm issued audit reports for an employee benefit plan where Respondent and Respondent Firm failed to meet Generally Accepted Auditing Standards.³

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| 3. Investigation Nos.: | 17-01-10L & 18-03-15L | Hometown: Weslaco, Texas |
| Respondents: | Christopher Don Deaver & Deaver CPA Firm, LLC | Certificate No.: 075751 |
| | | Firm License No.: C07534 |

Respondents entered into an ACO with the Board whereby Respondents' certificate and licenses were reinstated and placed on limited scope prohibiting them from performing audits, compilations and reviews for a period of six months. Respondents are required to pay the remaining \$5,000 of \$10,000 in administrative penalties and administrative costs of \$764.80 within 60 days of the Board Order. Respondent Firm is required to re-enroll in the AICPA Peer Review Program within six months of the Board Order. Respondents' certificate and licenses had been previously revoked on November 15, 2018 for being dropped from the AICPA Peer Review Program and for failing to respond to Board Communications.³

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| 4. Investigation No.: | 17-01-25L | Hometown: Dallas, Texas |
| Respondent: | Jeffrey W. Jamieson | Certificate No.: 048640 |
| Rule Violation: | 501.90(7) | |
| Act Violations: | 901.502(6), 901.502(12) | |

Respondent entered into an ACO with the Board whereby Respondent's license was placed on a one-year probated suspension beginning with the effective date of the Board Order. Respondent must also pay an administrative penalty of \$10,000 within 30 days of the Board Order. Respondent served as the quality review partner for audits of a public company. The Securities and Exchange Commission (SEC) found that Respondent failed to act with due professional care by failing to identify that his firm was not independent and by failing to properly evaluate required revenue recognition disclosures.³

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| 5. Investigation No.: | 17-01-23L | Hometown: Austin, Texas |
| Respondent: | Christopher M. Bauer | Certificate No.: 088426 |
| Rule Violation: | 501.90(7) | |
| Act Violations: | 901.502(6), 901.502(11) | |

Respondent entered into an ACO with the Board whereby Respondent's license was placed on a one-year probated suspension beginning with the effective date of the Board Order. Respondent must pay an administrative penalty of \$10,000 within 30 days of the Board Order. Respondent served as the lead engagement partner for audits of a public company. The SEC found that Respondent failed to act with due professional care causing his firm not to be independent and by failing to properly evaluate required revenue recognition disclosures.³

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| 6. Investigation Nos.: | 18-10-04L & 18-10-05L | Hometown: Spring, Texas |
| Respondents: | Charles Henry Houston &
Charles H. Houston | Certificate No.: 070144 |
| Rule Violation: | 501.60 | Firm License No.: T04264 |
| Act Violations: | 901.502(6), 901.502(11) | |

Respondents entered into an ACO with the Board whereby Respondents' certificate and firm license were placed on limited scope status for a period of two years from the date of the Board Order or until a petition for removal is approved by the Board, whichever is earlier. Respondents are prohibited from performing audits, reviews and compilations without a pre-issuance review by a pre-issuance reviewer approved by the Chair of the TSR Committee. Respondent Firm issued audit reports for a private school where Respondent and Respondent Firm failed to meet U.S. Department of Education standards and Governmental Auditing Standards.³

B. ADMINISTRATIVE DISCIPLINARY ACTIONS

Ms. Fletcher moved to approve the following Disciplinary Actions 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 Licensing and Late 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 8**)

Investigation Numbers

- 1. 18-10-10001 - 18-10-10039**
- 2. 18-11-10001 - 18-11-10037**

- 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 *Act Section 901.411 (Continuing Professional Education)*. 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 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 9)*

Investigation Numbers

3. 18-10-10040 – 18-10-10225

4. 18-11-10038 – 18-11-10229

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) (Violation of Board Rules)*. **(Attachment 10)**

Investigation Numbers

5. 18-10-10226 – 18-10-10235

6. 18-11-10230 – 18-11-10238

C. PROPOSED DEFAULT JUDGMENT BOARD ORDERS

BEHAVIORAL ENFORCEMENT COMMITTEE (BEC)

Mr. Grant moved to approve the following Proposed Default Judgment Board Order as presented. Dr. Morris seconded the motion and it passed unanimously.

1. Investigation No.:	18-07-10L	Hometown: Arlington, Texas
Respondent:	Silas Taylor Jones, Jr.	Certificate No.: 014243
Rule Violations:	501.90(18), 501.93	
Act Violations:	901.502(6), 901.502(12)	

Respondent failed to pay administrative costs and penalties assessed by the Board in a previous Board Order. Respondent, although properly notified of the proposed disciplinary action and his right to a hearing on the matter, failed to request a hearing. The Board ordered that the certificate and the license of the Respondent be revoked and that he be assessed an administrative penalty of \$10,000 and administrative costs of \$409.69.¹

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

XIII. Mr. Cavazos adjourned the meeting at 11:37 a.m.

ATTEST:

Manuel Cavazos IV, Esq., CPA, Presiding Officer

Benjamin Peña, CFE, CPA, Secretary

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

² Mr. Johnson, Ms. Friel, Mr. Grant, and Mr. McAdams recused themselves from participating in this matter.

³ Ms. Friel, Mr. Grant, Ms. Hugly, Mr. Johnson, Mr. McAdams, Mr. S. Peña, and Ms. Wilkerson recused themselves from participating in this matter.